# The New REPUBLIC

## A Journal of Opinion

VOL. LXXXXIII NEW YORK, WEDNESDAY, FEBRUARY 2, 1938 NUMBER 1209


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## Genghis Khan to the Rescue?

It would be a queer turn of history if the Outer Mongolians, descendants of the hordes who under Genghis Khan conquered Asia and part of Europe, should rescue China from an imperialist Japan. Yet a buried item of news, reporting that Mongolian armies were advancing towards Peiping, indicates that this may happen. Outer Mongolia, a highly insulated country between Soviet Siberia and China, is at once under the suzerainty of China and the protection of the Soviet Union, maintaining the position of an autonomous Soviet republic. It can fight in self-defense against the Japanese, who obviously hope to conquer it, without involving the neutrality of Russia. It has a standing army of 250,000, which is supposed to be highly mechanized and skilled in modern warfare, the equipment and military training having come from Russia in exchange for exports. The Mongols are a hardy nomadic race, used to extremes of heat and cold, familiar with firearms, accustomed to the desert and owning enormous numbers of horses and camels. Their entire army is mounted, either on horses and camels or on tanks and armored cars. Great quantities of replacements for man power are available, and the way for supply trains from the Soviet Union is clear. The Mongols can harry the extended Japanese lines and maintain contact with the Chinese Eighth Route Army (the Communist troops). They may in the end deliver disastrous blows against the Japanese empire on the Asiatic continent.

## France Carries On

The French political crisis was outlived for the time being by the formation of a new Cabinet under Chautemps, the very Minister who had resigned, but consisting this time solely of members of his own party, the Radical Socialists. The Socialists have promised their support in the Chamber, but since the Cabinet cannot survive without the vote of a majority of both Socialists and Communists, it is recognized as a stop-gap. A large faction of the Socialists as well as the Communists will not be satisfied without stronger action against the influence of private wealth over fiscal policy than Chautemps evidently intends to take. In the meantime there are rumors that Hitler, encouraged by French internal dissension and the decline of French influence in eastern Europe, is planning a new coup in March. It is supposed that this is what lay behind Blum's almost successful attempt to form a Cabinet of national union, based mainly on the Left parties. Hitler will make a grievous miscalculation if he hopes that political quarrels will prevent France from coalescing against him if he threatens her security.

## The TVA Victory

Three federal judges, sitting together in Chattanooga, have handed down a decision regarding the TVA that is of the greatest importance. This decision, read by presiding Judge Florence Allen, upholds the government on every point in the attack made on the TVA by eighteen utilities, most of them subsidiaries of the Commonwealth and Southern Corporation or the Electric Bond and Share Company. In summary, the decision finds that the production of electric power by the government is incidental to flood control, navigation and national defense, and is therefore legitimate. When this


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power is sold, the government is not necessarily entering into private business in unfair competition, any more than when it sells land, carries parcels or manages the national parks. The court denies there has been any conspiracy to destroy the utilities, to coerce them or to compete illegally. Both municipalities and private coöperative enterprises in the same area are permitted under state laws to produce electric power and the opinion remarks that it is strange doctrine that what the state authorizes becomes improper when it is authorized both by the state and by the federal government. No state, it is observed, sought to enter into the action. The case will be appealed by the utilities to the United States Supreme Court, but there is every reason to believe that the present decision will be sustained. If it is, the door will be open for the first time for conservation of natural resources and for production of governmental hydro-electric power on a nationwide scale.

## Another Curb to Speculation

The Securities and Exchange Commission, by adopting a rule which virtually forbids short-selling on the stock market, ranges itself on the side of those who have argued that short-selling exaggerates the declines in prices rather than cushioning them. The rule is the result of a study indicating that short-selling in the recent market drop was a concentrated drive against a few leading stocks, carried out in the main by a few brokers. Short-selling is of course a device used for speculative profit, and consists in contracting for future delivery, at a price below that prevailing in the market, of shares which the seller does not own when he makes the contract. He expects that when delivery has to be made prices will be even lower than the figure at which the contract is made, and thus a margin of profit will exist. The argument that it helps to stabilize prices rather than otherwise is based on the assumption that the professional speculator is better able to foresee price movements than the ordinary investor, and thus discounts declines. While the sales may help to drive the market down at the time, when delivery has to be made the shares must be bought or borrowed, and so a demand tending to maintain prices is eventually created. The answer to this argument is that short-selling may itself help to create the fall in prices out of which the speculator hopes to profit. In other words, big speculators may, instead of riding on a market whose swings are determined largely by other causes, actually create an appreciable part of the slumps. If the Commission is right about this, can it also moderate the upward swings which arise from concerted speculative movements?

## Earle's Plan for Coal

Governor George Earle of Pennsylvania has turned his attention to the problem of the anthracite-coal industry. His recommendation, which he has discussed with President Roosevelt, the coal operators and miners, is that the government buy the anthracite-producing lands and plant in Pennsylvania and lease the property to private operators for management under government regulation. The anthracite industry has been in dire straits ever since the middle of the twenties, when its market began to fall away. Monopoly prices, which included the exorbitantly high cost of railroad transportation charges, drove anthracite consumers to use the various substitutes, especially oil, which were available. As production fell off and the mines shut down, the coal miners were forced to turn to "bootlegging" anthracite from the idle or discarded pits the big coal companies had found unprofitable. The unspeakable conditions of their work and the extreme depression of the towns in which the bootleggers live, together with the complaints from the anthracite companies that bootleg coal is only adding to the difficulty of putting the industry back on its feet, have forced the state to face up to the problem. Ten years ago the monopolistic tie-ups between the railroads and the coal producers were blamed by a great many progressives for the industry's distress; the solution offered was government ownership and regulation. Today, after years of losses, even the operators seem willing to accept this remedy.

## War Mongering by a Peace Conference

No one need be surprised that the Conference on the Cause and Cure of War, which just concluded its thirteenth session in Washington, should have plumped for "collective security" to be achieved through sanctions against aggressors involving "economic measures and even the use of military force" (although in another resolution the conference speaks of "financial and economic measures, not including war"). These worthy ladies, delegates from eleven national organizations, represent that branch of pacifism that has always based itself on the League of Nations. It is easy to understand why its members cannot bear to face the realities of the world situation, and insist on assuming a power of moral principles throughout the world that most other people do not believe exists. At the same time, we must not overlook the great danger to the country that this attitude portends, when it is held by enough people, or supported by the President and the Secretary of State, as is now undoubtedly the case. They are dangerous just because their principles are high and their intentions are good. Those who take this position are so angry about the existence of war in other parts of the world that in order to stop it they are willing to support measures which in all human probability would involve this country as well in the conflict.

## Rumania's Fascist Pattern

In the four weeks since his appointment as Rumania's Premier, Octavian Goga and his fascist Christian Front government have issued a host of dictatorial decrees, directed for the most part against the Jewish population. As far as can be judged from the dispatches that are allowed to come out of Rumania, Goga's anti-Semitic campaign is

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following closely the Hitler pattern. All the Jewish papers have been suppressed; Jewish professional men are being disqualified from their jobs; in a good many towns the Jewish language has been outlawed, and Jews cannot hire Rumanian servants. The Goga government has announced that the trade unions are to be abolished and replaced by corporations in the Fascist style. As a result of the persecutions many of the wealthy Rumanian Jews have already left the country and others are preparing to do so. There has been a severe fall in the value of the lei and in real-estate prices and a sharp decline in the market for industrial and banking shares. King Carol has agreed to the dissolution of the elected Parliament and called for new elections to be held in March, a move which was necessary because of the scant support the Christian Front received in the last elections. It is reasonably certain that the government will manipulate the balloting to ensure a clear majority for Goga and his ministers. Already a change has been made in the method of marking the voter's choice, a change designed to confuse the large body of illiterate peasant voters. However the details of the Goga regime are worked out, it is obvious that under it Rumania will act as a member of the block of totalitarian states.

### News Notes of a Week

China and Japan have moved a step nearer to a formal declaration of war by withdrawing their Ambassadors. Their embassies have not been closed, however, the work being carried on by lesser officials. Dreadful conditions are reported from Nanking, where the Japanese soldiers are said to be almost entirely out of hand. Unconfirmed rumors stated that Great Britain and Japan had reached or were about to reach an understanding in the Far East; one version was that if the Japanese would spare Canton, the British would cut off the supply of munitions to the Chinese through that port. . . . In Spain, hard fighting continued in the area of Teruel without any decisive result. Airplane bombing of enemy cities by both sides was unusually heavy. . . . Reports from Soviet Russia indicated that the purge of "spies, saboteurs and Trotskyists" is now practically over. It is officially suggested that the zeal of persons engaged in the task has led them into many excesses.

At home, President Roosevelt again postponed his request to Congress for a great increase in the navy because of the situation in the Far East and world conditions in general. It was believed, however, that he would ask for about a 20-percent increase in the entire navy, at a cost of $1,000,000,000 spread over the next few years. . . . The filibuster of Southern Senators against the anti-lynching bill continued, bringing to a halt much urgent business. Many of the best Southern newspapers oppose their action. . . . A federal jury at Madison, Wisconsin, found sixteen important oil companies and thirty of their executives guilty of criminal conspiracy to raise and fix gasoline prices in 1935 and 1936.

## Business Advice to the President

THERE has of late been a long procession of business men and financiers going to Washington, where some of them called at the White House and others testified before the Senate committee investigating unemployment. It is a popular belief that these gentlemen have been instilling their wisdom into the government concerning what should be done about the depression. This belief is confirmed by the news that there is about to be formed a national advisory council, with representatives of big and small business, of manufacturing, transportation, trade and construction, of labor and farmers, to deliberate about national economic policy. Such a body, according to some commentators, would signalize the formal introduction of economic planning into our national affairs.

But the public should not be misled about what is going on. If one can judge by the testimony of those business leaders who appeared before the Senate committee, they know considerably less about what is wrong and what should be done about it than the Washington officials themselves. They were well primed with demands for reductions in taxes, or even abolition of taxes on profits, but on examination most of them showed that they had little understanding either of these measures or of the situation in general. As for the private conferences with the President, it is almost certain that little of concrete significance will come out of them. They were friendly discussions of subjects having more or less importance, but the President learned scarcely anything from them that he did not know before, and certainly derived less light from his visitors than the governmental experts could have given him in half the time. It is barely possible that the callers learned something from the President.

Why should it be supposed that busy executives of particular enterprises know more about such a complex phenomenon as the business cycle than those who spend their time studying the manifold aspects of our economic order? Running a business does not necessarily provide experience or understanding to equip anyone for managing a whole economy. Many business men read their own prejudices as reflected in their favorite newspapers and trade organs, and remain ignorant of whatever else may be said in the supreme confidence that all those "who never had to meet a payroll" are disqualified from economic wisdom. Of course there are exceptional business men who are keen students of what goes on about them, just as there are exceptional lawyers or architects or farmers or wage workers. But there is nothing in the arduous pursuit of gain from manufacturing, buying or selling that peculiarly fits a man to solve the riddle of unemployment.

No doubt there is a political virtue in asking discontented business men to meet government executives face to face and get their criticisms off their minds. Business men and governmental officials may

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both come out of such conferences with better feeling, because both may learn that the opinions of the other party are not necessarily accounted for by sheer cussedness, but rather by limited information and pressure for action. If better feeling can help, the delegations to the White House may do some good. But this is a long way from the assumption that our best minds have been taking counsel as to what may be done, and will come out with a carefully considered remedy for depression.

Much the same observations may be made about a permanent advisory economic council, such as the President is said to have in mind. Such councils have been tried in other industrial nations, and have never had a marked effect on affairs, whether for better or worse. Certainly they have little to do with economic planning. Planning is not a proper function for a representative body. Planning must rest upon research and it develops only from careful and intensive work by qualified experts. The conclusion of the experts' work is of course without use unless those in charge of affairs will understand and apply it. The planners must, in the nature of the case, be advisers rather than executives. It is possible that an economic council would provide a good way to educate representatives of industry, to make them concious of the larger problems, and so to prepare them to seek and follow the advice of planning experts. But without such expert service, their deliberations would produce no more planning than the debates in Congress. We should merely have duplicated our existing representative body with another, whose lack of constitutional authority would be well justified in view of its heavy overweighting with one group of the national population.

## Hague to Farley to Roosevelt

MAYOR Frank Hague, of Jersey City, probably now regrets his refusal to permit CIO organizers to enter that community. His action has caused nationwide publicity regarding the Mayor and his activities, and as a result, many thousands of persons who had never heard of him before have now discovered that his is one of the most brazenly corrupt political machines ever brought into existence, rivaling Tweed's worst days in New York. Even Mayor Hague's unfailing and solitary answer that anyone who criticizes—or even describes—his rule in Jersey City is "a Communist" cannot destroy the impression made by the testimony now available.

In consequence, Hague's handpicked Governor Arthur Harry Moore of New Jersey has a fair chance of losing his seat after the investigation at which his opponents expect to prove that the election of November, 1937, was stolen by the Hague machine. Another of Hague's errand boys, John Milton, has, with great insolence, been appointed to the United States Senate to fill out Moore's unexpired term. Charges have been filed against Milton also and it is possible that, unless Messrs. Roosevelt and Farley strongly intervene, he will be sent back to Jersey City. Never in Hague's history have things looked so dark for him as just now.

That history is a spectacular one. We predict that for many years it will be described in political-science textbooks as the perfect example of boss rule, in spite of the fact that it was tolerated in Jersey City twenty or thirty years later than equally crude regimes were permitted in most other communities. Some of the details have been set forth in a series of articles in The New York World-Telegram, and many more in another and in our opinion a much stronger series, by David G. Wittels, in The New York Post. We summarize a few of the highlights:

> In the past seven years, although Hague's salary was not more than $56,000 in all, and although he has stated he had no other income, he spent more than $400,000 on property. He lives on a most extravagant scale, with a $125,000 home at Deal and an apartment with a rental value of $7,000 in Jersey City. He takes long trips to Europe or to Florida, spending money lavishly. Even in Jersey City, he is accompanied by armed bodyguards wherever he goes.
>
> Jersey City elections are so famous for corruption that John Ferguson, Superintendent of Elections, has said: "The only way to have an honest election in Hudson County is to call out the militia. The way things are under Mayor Hague, it is futile and ridiculous for us to attempt to hold further elections." In some cases, more votes are recorded than the entire probable electorate. Inhabitants of insane asylums, nonresidents and people on their deathbeds are recorded as voting. In one election, Hague's candidate for Senator got 2,206 votes in one district where his opponent got one. Hague was reëlected mayor for the fifth time: score, 110,000 to 6,000.
>
> On frequent occasions land has been bought for public buildings in Hudson County at tremendous increases over the value of the same land a short time earlier—such as, from $60,000 to $300,000. In several instances a mysterious Mr. H. S. Kerbaugh was the owner. Mayor Hague, during a legislative inquiry, refused to say whether he had deposited $100,000 in the National City Bank within a few days of the time when one of these deals was consummated. The legislative committee said that these transactions were "conspiracies under legal forms." Roland Watson, counsel for the legislative committee, waived any possible immunity and invited Hague to sue him for libel. Hague declined.
>
> The terrible price Jersey City has paid for a government rotten through and through is shown by the fact that in twenty years the tax rate has tripled, assessments have doubled, the budget has increased 450 percent, and the debt increased 500 percent. Kansas City, Missouri, also boss-ridden, is larger than Jersey City, yet its government costs only a quarter as much. New Orleans has a notably corrupt government, yet it, also, costs only 25 percent of what Jersey City spends.
>
> John Milton, who has now been sent to the United States Senate, has been known for many years as Hague's collector and pay-off man. His checks have paid for property bought by Hague running into hundreds of thousands of dollars. Milton claims to have a private law practice in Jersey City worth $300,000 a year.

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Hague keeps his cohorts in line chiefly by fear, exercising an iron discipline. When Arthur Harry Moore, for example, once disagreed with Hague, twenty-nine of his friends in public jobs were immediately suspended and twenty-five others transferred to less desirable posts. Moore saw the point, and has obeyed orders faithfully ever since.

How, in civilized America in the twentieth century, does a man like Hague get away with it? He has three main sources of strength. First, he is ruthless in punishing every critic. Hardly anyone in Jersey City dares to speak against him for fear of instant and sharp reprisals. His police, loyal to Hague and not to the law, brutally beat his political opponents on any opportunity. Second, Hague counts on the support of the Catholic Church, with which he has been careful to maintain his friendship. Today, however, there are signs that Hague is getting too odorous for the hierarchy. Several Catholic bodies have repudiated him. Third, he is nominally a Democrat, and his machine is of great value to his party in national elections. Mr. Farley, political strategist of the Democrats, does not care how corrupt a city machine is if it turns out the votes.

Other things being equal, Mr. Farley, with President Roosevelt's tacit approval, would no doubt "turn on the heat" in the United States Senate, and get Mr. John Milton seated. Today, however, the situation is a little complicated. Mayor Hague has made an enemy of the CIO, itself a pretty important political body, representing at least five or six million votes. Also, the corruption of the Hague machine has been broadcast to the whole nation—and the country is more sensitive to these things than formerly. It will be interesting to see whether immediate or remote expediency prevails in the councils of the Democrats in Washington.

## Seamen and Their Critics

JOSEPH P. KENNEDY, who is about to become Ambassador to Great Britain, has issued his final report as chairman of the Maritime Commission, a post he held only for a few months. Newspaper summaries indicate that this report, while far from satisfactory to labor, is more reasonable and moderate than the disgraceful performance on the same subject a week earlier by the Committees on Commerce and Labor of the United States Senate—though it does repeat some of the same unjustified charges. The Kennedy report admits that unsatisfactory conditions at sea account for much of the trouble recently experienced in the merchant marine. It criticizes the inadequacy of crew quarters, even on some of the newest and best American ships. It suggests continuous employment for sailors, instead of hiring from one voyage to the next, which would be a sensible suggestion if continuous employment were not used—as the unions say it would be—as a device for blacklisting union leaders. Mr. Kennedy is no doubt correct in saying that strife between rival unions has added to the difficulty of merchant-marine operation in recent months.

This report throws into high relief the shocking character of the Senate committees' joint document for which, we understand, Senator Copeland is chiefly to blame. At these hearings only one side of the story was told and the purpose was obviously to create public opinion favorable to sharp restrictions on the right of American citizens who work on ships to organize and improve their conditions as do American citizens who stay ashore.

The hearings covered only four days, according to reports in the daily press. Witnesses on behalf of the seamen were given no real chance to tell their story. Instead, a group of people many of whom were grinding their own axes spread on the record a mass of gossip, innuendo and the recital of highly exceptional incidents as though they were typical. Most of the worst items were given under the convenient, if cowardly, cloak of anonymity. The charges are that American seamen are drunken, disobedient, ungentlemanly and given to making unreasonable, sometimes fantastic, demands upon their officers. The juiciest of all these tales is the one aired in the press lately, of a passenger who saw the drunken crew wantonly throwing cargo overboard. The ship's officers, questioned about it, said on the contrary that the men were jettisoning the deckload, on orders, in a heavy gale, at grave personal danger and for the safety of the ship.

If the charges of the two Senate committees were true, the blame would lie not with the men but with the owners of the American merchant marine who for the sake of bigger profits had broken morale and driven the good men off the sea. Luckily, the charges are not true, and we doubt that the American public, which includes hundreds of thousands of ship passengers every year, will be deceived. Even propaganda against labor should have a faint air of probability about it.

THE NEW REPUBLIC
PUBLISHED WEEKLY AND COPYRIGHT, 1938, IN THE U. S., BY EDITORIAL PUBLICATIONS, INC., 40 EAST 49TH STREET, NEW YORK.

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RATES: SINGLE COPIES, FIFTEEN CENTS; YEARLY SUBSCRIPTION, FIVE DOLLARS; CANADIAN, FIVE DOLLARS AND FIFTY CENTS; FOREIGN, SIX DOLLARS; THREE MONTHS' TRIAL, ONE DOLLAR.

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# Collective Security—A Debate

*No more important subject is before the American people today than the question of foreign policy usually described by the alternatives of "collective security" and "isolation." The New Republic has therefore invited two well known exponents of these two points of view, Mr. Earl Browder and Dr. Charles A. Beard, to debate the issue in our pages. As will be seen, Mr. Browder bases his statement in large part on the article, "Collective Insecurity," by Bruce Bliven, which appeared in The New Republic of December 1, 1937.*—THE EDITORS.

## I. For Collective Security

MR. BRUCE BLIVEN has confirmed, in his article of December 1, what I had suspected, that The New Republic's advocacy of isolation as the proper approach to foreign affairs by the United States has behind it, at least as one factor, a disturbed conscience in relation to 1917. But I am afraid that he has not well studied what the Communists have to say, either about the last world war or about the one now threatening. Clearly, he does not "understand our language." Allow me, therefore, to make an attempt to put the Communist position as nearly as possible in the language of Mr. Bliven himself, in an effort to break down this linguistic barrier.

Can world peace be maintained? That is the first question toward which we must establish an attitude. If we mean world peace in any absolute sense, then of course the question is meaningless, for right now there are two major wars going on which already have resulted in millions of casualties. The question then must be, can we prevent the two present wars from extending to engulf the whole world?

The answer to this question must begin with that basic fact that the overwhelming mass of the population of all countries, and the governments of most of them, are afraid of war and desire peace. As President Roosevelt expressed it: "The peace, the freedom and the security of 90 percent of the population of the world is being jeopardized by the remaining 10 percent who are threatening a breakdown of all international order and law." We can dot the "i" by saying that from which Roosevelt is restrained by diplomatic considerations: Peace is being destroyed by Hitler, Mussolini and the Mikado.

Our question is now clearer. Can the fifty to sixty effective governments of the world, with the ardent desire for peace of at least 90 percent of the world's population behind them, find among themselves sufficient forces for peace to restrain the three war-making powers who may control the remaining 10 percent of the population but certainly do not command its affection?

Clearly, in this relation of forces, there does exist the possibility of preventing the spread of war, and of extinguishing the wars going on, *provided* the peace-loving 90 percent can arrive at a concerted program of action, at least to a degree in some relation to that of the concerted action of the Triple Alliance of the "anti-Communist" bloc of fascist states.

What degree of concerted action is necessary? Considering the economic resources of the war-makers, it would clearly be sufficient to bring them quickly to a halt if the United States, France, Britain and the Soviet Union should jointly declare an embargo upon all economic transactions with the aggressors, to be ended when three conditions were met: (1) the withdrawal of all their armed forces into their own territories; (2) the stoppage of all supplies being sent to support civil war in another country; (3) the enforcing of a substantial measure of disarmament.

Considering the military resources of the war-makers, their aggressions would be more quickly stopped, if the peace bloc of powers should, while the aggressions continued, open their markets to the victims of aggression for all their needs, and facilitate their purchases with credits.

Considering the political resources of the war-makers, they would be quickly isolated if the small nations now falling under their sway once knew that the democratic powers, abandoning their "scuttle and run" policy, were making a firm stand for peace; they would be undermined at home, and their own oppressed populations encouraged to reassert themselves, if the peace bloc made a joint declaration of willingness to give full aid and coöperation to any democratic and peaceful government that might succeed the fascist dictatorships.

What are the possibilities that such a policy could be adopted by the four great powers I have named? For the United States, such a policy is clearly indicated as the only possible means of implementing Roosevelt's speech in Chicago on October 5. Clearly, then, in our country the task is to organize effective support, behind the President's policy, of the 27,000,000 who voted for him in 1936. If that can be done, the United States will uphold its end. It certainly can be done—unless the great masses are also afflicted with the Hamlet-like paralysis that has gripped the minds of The New Republic's editors under the hypnosis of fascism, which I cannot believe. As for France, the joy with which Roosevelt's speech was received by the people in that country is sufficient indication that any government which refused a direct proposal from the United States for

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this policy would be swept out of office in a week and be replaced by a government which would gladly give its adherence. As for the Soviet Union, it has been urging precisely such a policy for years, and would gladly assume its full share of the responsibility.

There remains Britain. I fully share the doubts of Mr. Bliven about the good faith of the Chamberlain government in the defense of peace. I am also full of doubts about the Labor Party leadership which has found it so easy to go along with Mr. Chamberlain in his, to say the least, equivocal course. But I have great faith in the British working class, which has, more than once, over the heads of its own leaders, called a sharp halt to reactionary adventures of the British government. I am sure that a clear call from the United States, France and the Soviet Union will bring the great British people into line for this policy, under a new government if necessary.

This, in brief and simple outline, is the Communist conception of a correct and effective peace policy for the United States.

If such a program is adopted, whose interests would be served thereby? Surely it would be in the interest of every nation that wants peace; of the small nations that tremble today under the imminent threat of destruction; of the workers of every land; and of every honest democrat.

But Mr. Bliven says no, this is a peculiar "Russian" program, "not framed in American terms or the American interest." We will not quarrel with Mr. Bliven as to how the policy could be best "framed in American terms"; we are willing to leave that to the President, if Mr. Bliven can agree upon such an eminent authority. But we do have a sharp quarrel with him when he says that world peace is a special "Russian" interest, which may be contrary to the interests of America. *Peace* is a *common interest* of the Soviet Union and the United States, and, as the two most powerful and peace-loving nations, *especially* of them.

Mr. Bliven bases this peculiar argument, apparently, upon the opinion that America can *purchase* peace, can *buy off* the aggressor nations with concessions and by granting them a free hand elsewhere. He expresses a deep conviction that any resistance, even purely economic, would lead the United States directly into war. But if the United States *does not dare,* from such fear, to take even economic measures, what reason have we to believe this will insure us from the war danger? It was exactly the conviction that the Nanking government *would not dare* to resist that led Tokyo into the present adventure in China. A continuance of isolation policies by the United States will surely convince the arrogant militarists of Tokyo that now is the time for them to take over the Philippines, Hawaii, Guam and Alaska, as guarantees against the future, when the United States *might dare.* From that it would not be a large step to recall how much more successful are Japanese than Americans in cultivating the beautiful and rich lands of California.

Upon what basis does Mr. Bliven assume that this danger is remote but the danger of a Japanese attack against the Soviet Union is immediate? Is he relying upon the affinity between two capitalist nations, as against the land of socialism? But Japan knows quite well that the land of socialism is fully armed and ready, a tough nut upon which she might break her teeth. She went into China, *expanding along the line of least resistance.* A continuance of the same line leads her not to Vladivostok, Habarovsk and Chita, but rather to Manila, Honolulu and Nome.

At the present moment in world affairs, America needs the coöperation of the Soviet Union for her own protection from warlike aggression far more pressingly than the Soviet Union needs America for the same purpose. For the Soviet Union is fully prepared to defend itself, is fully united, and has just cleaned house of the last remnants of those who would coöperate with the enemy. But America, rich and full of potential booty, is still considered by the world to be in a pacifist funk, is torn by a constitutional crisis and sharp class struggles, and contains powerful forces that would welcome Japanese aggression for their own fascist ends.

Mr. Bliven says the program of concerted action for peace proposes "to engage in a bluffing game with the Fascist powers." He particularly ascribes to the Communists the idea that "the Fascists will be outbluffed and will give way." Nothing could be farther from the truth.

It is my conviction that the fascist dictatorships can be halted only by superior force. But with concerted economic action by the great powers, to embargo the aggressors and supply their victims, the superior military force that will halt fascism and bring about its downfall is already in action *in Spain and China.* These two heroic peoples are fighting, bravely and steadfastly, and making a good showing *despite* their abandonment by Britain, France and the United States. If we help them, they will do the military job for us, though I hope many thousands more of our best American boys will go to Spain to help the Lincoln Battalion uphold the honor of our people. If we continue to desert them to their fate, as Mr. Bliven advocates, we will have no one to blame but ourselves when we have to take up the full military burden under more unfavorable conditions.

Finally, what is the value of Mr. Bliven's argument that any participation by the United States in a concerted effort for peace would create the danger of extreme reaction, even fascism, coming to power in America precisely as a result of such effort? In my opinion, the truth is exactly the opposite. Only the courageous implementing of the policy laid down by President Roosevelt in Chicago can

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save our country, and all the capitalist world, from unparalleled reaction and catastrophe.

The greatest threat against domestic progress today, the greatest strength of reaction, lies precisely in the fact, correctly pointed out by Mr. Bliven, that the 27,000,000 who voted for President Roosevelt are not fully united in support of his peace policy. This is true, even though Mr. Bliven underestimates grossly the breadth of this support. All the more reason why all progressives, democrats and lovers of peace, all anti-fascists, should do everything possible to build and strengthen that support, and not to tear it down with doubts, fears and hesitations which cover a complete absence of policy, a happy-go-lucky drifting with no guidance but faith in America's lucky star.

If President Roosevelt's policy goes by default, through lack of popular support, if the progressive camp continues to be divided by the paralysis of fear, then I foresee the grave danger that the worst reactionary forces in American public life, playing upon the very real dangers that face the American people, will exploit those fears and the absence of a united progressive policy, with demagogic slogans of "preparedness, more preparedness" and "no entangling alliances" and "America for herself alone" and so on, to stampede the people along the path of reaction, militarism and war.

When our country was in its infancy as an independent nation, when it was relatively weak and surrounded by a hostile world, when it was looked upon by older nations as the source of "revolutionary infection," as the capitalist world today looks upon the Soviet Union—in those days we were not afraid to have a positive policy for peace. We had great leaders then, men with faith that the masses of the people would support them.

When in 1793, France, a new republic such as Spain today, was attacked and blockaded, Thomas Jefferson, Secretary of State under Washington, wrote to James Madison:

> The idea seems to gain credit that the naval powers combining against France will prohibit supplies, even of provisions, to that country. . . . I should hope that Congress . . . would instantly exclude from our ports all the manufactures, produce, vessels, and subjects of the nations committing this aggression, during the continuance of the aggression, and till full satisfaction is made for it.

About the same time Jefferson wrote to Morris, Minister to France, the following:

> We received information that a National Assembly had met, with full power to transact the affairs of the nation, and soon afterwards the Minister of France here presented an application for three million livres, to be laid out in provisions to be sent to France. . . . We had no hesitation to comply with the application . . . and we shall . . . omit no opportunity of convincing that nation how cordially we wish to serve them . . . placing our commerce with that nation and its dependencies on the freest and most encouraging footing possible.

What America needs today, what the world needs, is a foreign policy based upon these lines of Thomas Jefferson. Such a policy has been proposed by President Roosevelt. The whole country must be rallied to support it, and to demand its energetic application in life. EARL BROWDER.

## II. A Reply to Mr. Browder

IN HIS speech at Chicago last October, President Roosevelt presented to the country his picture of world affairs, a forecast of the future and a policy for the United States. He saw, or thought he saw, 90 percent of the earth's multitudes longing for peace and 10 percent under governments bent on acts of aggression likely to lead to a major war. He did not mention Italy, Germany and Japan by name, but there was no doubt respecting the identity of the "culprits." If and when these trouble-makers precipitate war, the United States cannot escape becoming a party to the conflict. The only way to keep peace, even for the United States, is to enlist the "democratic" nations for collective action against the 10 percent and to quarantine them.

That the Roosevelt administration, bewildered and baffled by the economic impasse at home, is employing sentimental coverages for excursions abroad was demonstrated by the reply of Secretary Hull to the Senate's request for information on American interests in the Far East. Well aware that those interests were not of such character as to warrant the beating of war drums, Mr. Hull took flight into the lofty clouds of sentimentality. He must have known that it would be rather difficult to whip up American enthusiasm for saving the Standard Oil business along the Yangtze by shedding the blood of American soldiers there. No, Mr. Hull was not primarily concerned with such practical affairs. "There is," he said, "a broader and much more fundamental interest—which is that orderly processes in international relationships be maintained. . . . This interest far transcends in importance the value of American trade with China or American investments in China. . . ." While American citizens made profits out of selling materials and munitions to the promoters of disorder, Mr. Hull emerged as a crusader in the role of the Prince of the World Peace. Unable to speak of "democracy" in the Far East, at least with a straight face, he went in for "maintaining" orderly processes in international relations. But in upshot of the new coverage for old things it had the same ominous significance for the American people as President Roosevelt's thesis on "maintaining" democracy throughout the world.

This thesis rests upon a number of assumptions, including an interpretation of world history and the dynamic forces at work in it. The chief assumptions are: (1) that all the 90 percent really want peace—all the Arabs, the teeming millions of Africa toiling under European yokes, all the masses of British India, the Bolivians and Paraguayans, for instance;

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(2) that if the 10 percent were quarantined or subjected to an embargo they would succumb and would not strike back even in sheer desperation; (3) that the present distribution of population, resources and empires can be maintained indefinitely; (4) that there are no grounds for unrest on the part of the 10 percent or that, if there are grounds, they can be removed by peaceful collaboration; (5) that the governments of the 90 percent, or the major powers among them, are motivated merely by democratic ideology and not primarily by interests in the conduct of their foreign relations; and (6) that in case another war for democracy becomes necessary, the democratic powers would favor the institution of democratic governments among the 10 percent and elsewhere; and (7) that there is such a thing as politics apart from economics.

President Roosevelt's thesis is accepted by advocates of the League of Nations, by Alf Landon and Colonel Knox, by British-born citizens of the United States, by Communists of the Stalinite direction, and by many other citizens who say they desire peace for the United States and think they see no other way to attain it, save by collective action. On the other side is also a curious array: Italian-Americans, German-Americans, communists of the Trotsky direction, old-fashioned imperialistic isolationists and Americans who imagine that it is possible to build a civilization in the United States and to defend it. The contest is not one of perfect truth against perfect error, knowledge against ignorance, wisdom against folly, as many disputants would have it. The problem thus posed is at bottom one in the hazardous calculation of probabilities checked by such facts as may be available. In his essay, Mr. Earl Browder accepts in general the Roosevelt thesis and adds embellishments of his own.

Let us examine the assumptions of the Roosevelt thesis. First, do all the 90 percent really want peace? Do the principal European parties, especially Great Britain and France? Some of them doubtless do—on terms and conditions. Having all the European territory required by their traditional ambitions and loaded with the spoils of empire, Great Britain and France do want peace—at their price. It is highly probable that Great Britain could tear Hitler away from the Rome-Berlin axis by handing back to Germany the vast African colonies taken away from her after "the war for democracy," with "no annexations and no indemnities." Does Great Britain want peace on such terms? Mr. Roosevelt and Mr. Browder may know. I may be permitted to have doubts. The great democratic powers want peace and the possession of all they have gathered up in the way of empire by methods not entirely different from those recently employed, let us say, by Italy in Ethiopia. In my way of thinking, that puts a particular aspect on "democratic" aspirations for peace.

But assuming that the democratic powers could now get together on a program of quarantine, are we sure that it would crush the aggressors and that they would not strike back in war frenzy? I know no laws of history or facts of experience that permit us to give an indubitable, unequivocal answer to this question. It is often said in support of the quarantine doctrine that "Germany would not have started the War in 1914 if she had know that Great Britain would join France and Russia." That assumes that Germany really did start the War on her own motion. Without entering into that domain of historical demonology which apportions guilt and innocence, I question this assumption. And if Great Britain had given Germany notice in July, 1914, and if it had been effective, would it have done more than postpone the war? Who knows? Perhaps Russia and France themselves might have had it otherwise in time, if not then.

War is not always—if ever—the fruit of rational calculation, and I find in history no justification whatever for assuming as truth that Italy, Germany and Japan would surrender unconditionally to a grand quarantine if the quarantine could be arranged. On the contrary, I suspect that they would strike back—first at the places in which the British Empire is most vulnerable, and that then the big fire would begin to rage. The spirit of world power or downfall is not dead.

Could a quarantine maintain indefinitely the *status quo* of populations, resources and empire throughout the world? If this were desirable, it scarcely seems possible. Indeed, many advocates of President Roosevelt's thesis concede as much and speak hopefully of world economic conferences designed to give the "have-nots" what is called free and equal access to the markets and raw materials of the "haves." Could the unrest of the restless be cured by such peaceful collaboration? And what do the vague phrases such as "equal access to markets and resources" really mean? Most of the crucial raw materials needed by Japan, Italy and Germany are in independent countries. The three have-nots can buy these materials now if they have the price to pay for them. Even if we had a system of world free trade, is there any reason for believing that they could buy all they "want" and pay for it in commodities of their own production?

It is idle to ask the question. American capital and labor are not likely to surrender the insulation which they now enjoy against the fierce competition of Germany and Japan. Furthermore, in view of what Great Britain and France did to Germany in the matter of reparations, in view of the fact that they only knuckled under in the presence of Hitler's mailed fist, it is not probable that any material sacrifices will be effected by a world economic conference or any kind of pacific collaboration. Why should the democratic countries yield anything to governments that seek a high birth rate and then demand goods abroad to feed the extra mouths and the right of migration all over the earth?

There are likely to be profound changes in the distribution of populations, resources and imperial possessions in the future as in the past. The question

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for the United States is whether it wants to be involved in every conflict that arises in this historical movement.

Now we come to the business of democratic ideology. Does anyone conversant with British history really believe that the operations of the British government since 1914, let us say, have been controlled by some conception of democracy, as distinguished from British interests in the Mediterranean, Africa and elsewhere? Or the operations of the French government? What did these governments do for democracy in Germany between 1919 and 1933? And what has the British government done in Spain? Whatever may be said against the Loyalist government, it was duly constituted according to any formulas of democracy likely to prevail in that country. The labor leaders of Great Britain and France are doubtless on the side of the Loyalists, but they are powerless to influence in any material way the conduct of their respective governments. To expect anything drastic from British or French labor is to expect the highly improbable. To base American policy on what British and French labor may do, is to base it on unverifiable hopes.

And if it comes to another war for democracy against the three offenders, have we any ground for expecting beneficent results in the way of a universal democratic advance? All I ask anyone to consider on this point is the record, especially, the Versailles Treaty, the wars of the Allied and Associated powers on revolutionary Russia, in 1917-18, and the state of democracy in Europe twenty years after the close of the triumph of the democratic powers. If any person can see hopes for democracy in another military and naval crusade for democracy, after looking at the fruits of the last crusade, then his mind passeth my understanding. Although the new war would bring to business that "recovery" so longed for now, it would doubtless be followed by a ruinous collapse; and the probabilities are that we should then have universal fascism rather than universal democracy.

The alternative to fascism would be a communist or socialistic upheaval in the defeated countries at least—let us say Italy, Germany and Japan. And the probabilities are that British, French and American troops would be employed in efforts to put down such uprisings in the defeated countries, as in Russia after 1917, perhaps with similar success.

Finally there is the assumption that politics—democratic theory—can be separated from economics, that a line-up and a fight can be effected on purely ideological lines, and that the consequences of the line-up and fight can be kept on purely ideological lines. To my mind this conception of human motivation and conduct is so unreal and fanciful as to deserve no consideration. And when the economic interests, passions, rivalries and ambitions of the so-called democratic powers are brought into the picture, the ideological view of the world seems to me utterly fantastic.

Besides accepting President Roosevelt's theses as, in substance, the communist thesis, Mr. Browder seeks to show that it is of no special benefit to Russia. Russia, he says, is all cleaned-up and ready to fight. The Siberian front is strong. It is the Manila, Nome and Honolulu line that is in danger. The United States, not Russia, has grounds for being afraid of Japan. Then there is the dreadful thought that the Japanese might seize the "rich and beautiful lands of California." Mr. Browder may have information from Moscow and know things not generally known. But if he means to say that Japan is no menace to Russia, he is in my opinion unrealistic in his view of old history and recent history. That Russia and the United States desire peace in the Far East now is doubtless true, and in that respect their immediate interests coincide. That Japan could seize the Philippines is doubtless also true.

But unless the United States army and navy have wasted all the money they have been voted in recent years, Japan could do nothing to the Nome-Honolulu line. As for landing Japanese troops on the continental domain of the United States, every informed army and navy officer with whom I have talked derides the very idea as technically absurd. It would take about 200 convoyed and defended transports to carry 200,000 Japanese soldiers and baggage across the Pacific, to say nothing of continuous supplies. Lying between a German thrust and a Japanese thrust, Russia is more in need of aid than is the United States.

Then there is Spain. Mr. Browder makes that civil war the acid test of democracy. All right. Then look at the way in which Congress and the Roosevelt administration violated the Madrid treaty of 1902, and every recognized principle of international law and comity, by putting an embargo on munitions to Spain—while continuing to recognize the Loyalist government. That action gives more insight into the realities of democratic ideology than all the fine words of President Roosevelt on democracy and peace. Still, after what Great Britain and the United States have done to the Loyalist government, Mr. Browder seems to see them collaborating for democracy in Spain.

Mr. Browder declares that Mr. Bliven "grossly underestimates" the popular support in the United States for the Roosevelt thesis. Well what evidence have we on this point? There was not a thing in the Democratic platform of 1936 that lent countenance to the Chicago thesis; nor did Roosevelt submit that thesis to the country in campaign speeches in 1936. Like Woodrow Wilson in 1916, he waited until he was safely past the election hurdle. But we have other evidence. Surely the people of the United States have voted down the League of Nations and everything that savors of entangling this country in the collaborations of "democratic" powers in Europe. The way to get popular support for the Chicago thesis is to rattle the saber. The American

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people surely want to stay out of the next world war. That Roosevelt would take them in swiftly if it comes is highly probable, but they certainly are not longing for another preposterous crusade for democracy on the battle-fields of Europe.

All this is called "scuttle and run" by advocates of taking part in the quarrels of Asia and Europe. It is regarded as shirking "moral responsibility," as displaying a lack of sensibility. As I am given to see things, anybody who feels hot with morals and is affected with delicate sensibilities can find enough to do at home, considering the misery of the 10,000,000 unemployed, the tramps, the beggars, the sharecroppers, tenants and field hands right here at our door. It is easy to get into a great moral passion over the distant Chinese. It costs nothing much now, though it may cost the blood of countless American boys. It involves no conflict with greedy interests in our own midst. It sounds well on Sunday.

But assuming that we are just burning up to right all the world's wrongs, it is highly probable that the European powers can settle their affairs better without our help than with it. If we offer our aid, we enable one group of powers to impose their interests on another group. If we stay out, they know what they have to count on and may be able to compose their own difficulties. If they cannot, then there is the experience of 1917-19 to show that the government of the United States cannot close European history by ushering in the utopia of universal philanthropy and universal democracy. It is not lack of good will that should hold our hand. It is a little suspicion, born of experience, that we are not quite smart enough to dispose of Europe's unfinished business. If we cannot solve even the problem of putting 10,000,000 of our own citizens to work on the lavish resources right at hand, or have collective security at home, how can we have the effrontery to assume that we can solve the problems of Asia and Europe, encrusted in the blood-rust of fifty centuries? Really, little boys and girls, how can we?

CHARLES A. BEARD.

# Milk: A Food or a Medicine?

IN A RECENT Burns and Allen broadcast Gracie asked George why, when there was A milk and B milk and D milk there wasn't a fourth kind of milk, for "doesn't a cow have four faucets?" If the present trend continues a cow will need more than four faucets to produce the very alphabet of milks which will be demanded of her.

Although nutrition workers have been telling us for years that milk is an almost perfect food, the most nearly perfect of all foods, it now appears that it has hidden deficiencies we have none of us suspected. Not only is the amount of vitamin D in milk negligible, but milk is also deficient in iron and copper and, in some localities, in iodine; nor is it a very rich source of vitamin B. Moreover, pasteurization destroys its natural vitamin-C content.

Anyone, therefore, who depended on milk for his sole nourishment, might, if he took these reports too seriously, expect to develop rickets, beri-beri and scurvy, because of deficiency of vitamins D, B and C respectively; add to his discomforts an anemia, from lack of adequate amounts of iron and copper; and a goiter, because of iodine deprivation.

Dairy workers and nutritionists have not been backward in attempting to remedy the defects of milk. Already there is being marketed vitamin-D milk, a milk the vitamin-D content of which has been increased either by feeding a high vitamin-D ration to the cows, by treating the milk with ultraviolet light, or by adding directly to it a cod-liver-oil concentrate. These milks have each been given a special name. The first type is commonly called Metabolized Vitamin-D Milk; the second, Irradiated Milk, the third, Vitex Milk. Vitamin-D milks have been advocated by various physicians in a number of articles published in more or less learned journals, for use in preventing or curing rickets. To be sure, rickets is no longer a major pediatric problem; cod-liver oil and Viosterol have cut down very effectively the number of cases of rickets, have made severe rickets a rare disease. Nevertheless it is believed by many physicians that milk with a high vitamin-D potency has a place in rickets prophylaxis.

The milk companies have coöperated with the physicians in the production of this type of milk; they have found in it a useful competitive weapon. Their sortie into the therapeutic field has given them something about which to talk. According to testimonials in the dairy journals, it has also given some of them increased profits.

With the ultimate value of vitamin-D milk as a rickets-preventive this article need not concern itself. What is of importance is whether or not the medical approval of vitamin-D milk is the first step toward turning milk into a medicine. The medical profession is only too ready to decry efforts to advertise milk as a medicine, as will be shown later, but the fact remains that in approving vitamin-D milk the door has been opened for the addition of other substances to milk. The desirability of making such additions, and the best methods to use, have often been discussed in technical and medical journals.

For instance, milk is deficient in iodine, at least in some localities. Iodine deficiency, when pronounced, may lead to the development of goiter. Dr. William Weston wrote recently in the Archives of Pediatrics that "from goiter surveys made by Olesen of the United States Public Health Service and others, we

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may conservatively conclude that iodine deficiency is the most serious public health problem that confronts pediatricians in the United States."

Certainly then, Iodine Milk or, briefly, I Milk, is as logical as vitamin-D Milk. And, indeed, Dr. Weston advocates it. He has carried out experiments showing that cows receiving a high iodine ration pass the iodine along into the milk and, further, that such milk is beneficial not only in preventing and curing goiter in children but in bettering the general health.

Here, then, is another ideal opportunity for the dairyman to add another weapon to the doctor's armamentarium, to use a pet word of physicians. Consider the points that could be emphasized in advertising such milk: "Give Your Child a Beautiful Neck" and—as severe goiter in the mother may result in a cretin child—"Drink Iodine Milk to Protect Your Unborn Child."

There is another good talking point, too. Iodine is a natural constituent of milk in districts where the soil and plants grown on it contain iodine. So no unnatural substance is added to the milk, its richness is not changed, only enhanced.

I find I'm writing like an advertising copywriter.

How soon we shall have "I Milk" I do not know. It will doubtless come sooner or later; the milk companies and the manufacturers of iodine compounds will see to that. Meanwhile a word of warning has been published by W. E. Krauss, of the Ohio Agricultural Experiment Station at Wooster: "The goiter problem is already sufficiently complicated without introducing into the field another iodine-containing material. . . ." But why pay attention to him? By all means let us drink Iodine Milk and have beautiful necks.

Iodine is not the only substance that investigators have been trying to add to milk. There is a report in the medical literature that dry milk which contained a concentrated water extract of vitamin B promoted growth. Think of the possibilities of such a milk! "Try it and Watch Your Babies Grow" will undoubtedly be its slogan. Actually vitamin-B deficiency is a very rare disease in this country and Sherman, whose authority on nutrition is unquestioned, has said that milk "now appears to be a more constant and reliable source [of vitamin B] than has hitherto been appreciated," but you mustn't mind Sherman. Don't miss any opportunity to experiment on your children.

Yes, vitamin-B milk certainly offers interesting merchandising possibilities.

Have you ever considered the dangers of anemia? That pale, sickly children are probably anemic children? And why are they anemic? Well milk is deficient, you know, in the minerals iron and copper, and this deficiency may be the cause of anemia. It has been shown that young animals develop anemia if they are put, when weaned, on cow's milk. Let's, then, add iron and copper to cow's milk—have a Fe Milk, a Cu Milk! No reason why we shouldn't. We have a vitamin-D milk, and will soon have a vitamin-B milk and an iodine milk. Unfortunately, so far no good way has been found to increase the content of these minerals in milk by additions to the cows' rations, but there is no reason why the minerals cannot be added directly to the milk, as a vitamin-D concentrate is added to make one type of vitamin-D milk.

To be sure, J. C. Drummond, an eminent English authority, has pointed out that "traces of iron and copper salts may . . . be found to cause undesirable changes in such foodstuffs as milk," and Krauss has said that "new-born infants have a considerable storage of iron and copper which serves to tide them over until the time when adequate iron and copper-containing foods can be added to the diet," and that "a review of the literature fails to reveal that the addition of iron and copper is of any therapeutic advantage for man."

Such adverse statements will undoubtedly be ignored. Anemia results from lack of iron and copper; by all means let us add these minerals to milk.

And while we are about it, let's add vitamin C, too, for pasteurization destroys the vitamin C present in milk and, just possibly, in spite of the advertising of the fruit growers, we may not drink enough orange juice to prevent our getting scurvy.

So we shall have Vitamin-B Milk, Vitamin-C Milk, Metabolized Vitamin Milk, Vitamin-D Milk (Irradiated), Vitamin-D (Vitex) Milk, Cu Milk, Fe Milk, and I Milk from which to choose. At least we shall have them until some day a progressive dairy produces an extra-superlatively fine milk containing all the nutritive substances which ordinary milk lacks and corners the milk market as a reward.

There is really no reason why this shouldn't happen, once we overcome our old-fashioned idea that milk is a pretty nearly perfect food, and consider it a medicine. But is that the way we want to think of it? Many members of the advertising profession apparently believe it is—that people will buy more of any food if it has medicinal value, whether this be the prevention of rickets or dental decay, the relief of constipation, or the cure of pimples. If you think they have excepted milk from such degradation it is only because you have not followed the advertising sponsored recently by the Bureau of Milk Publicity of the state of New York. In this advertising, milk is advised if one would have "a glamorus complexion." "Each glass of milk you drink is a calcium treatment. . . . Look what milk does for a baby's skin." Milk has also been advertised as a reducing substance, as a cure for fatigue or a hangover.

The medical profession has awakened to the dangers of such advertising. Dr. Morris Fishbein, the fighting editor of The Journal of the American Medical Association, wrote a wrathful editorial against these advertisements:

> The state of New York is taking its milk industry seriously! In fact, it seems to be taking it so seriously that the advertising agencies are making it ridiculous. Apparently they have found it necessary to sell milk as a medicine rather than as the wholesome food that it

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really is. These remarks are prompted by the appearance in New York newspapers of a new type of advertising in which the value of milk as a cure for several complaints is emphasized. Strangely enough, the emphasis is also untrue.

He then quotes in full the text of the advertisement "Alkalize with Milk" in which milk is advocated to overcome the effects of overindulgence, afternoon fag, and so on. He goes on to say:

> It is amusing to realize that directly opposite this advertisement appears one for a "patent medicine" with exactly similar claims. It should be unnecessary to point out for a medical audience that milk is the only article of diet whose sole function in nature is to serve as a food. Certainly the values of milk in protein, in mineral salts and in vitamins are sufficient on which to base claims as to its usefulness without trying to turn the product into a "patent medicine." Officials in the state of New York will do well to select an advertising agent more conversant with the facts of medical science and nutrition.

An advertising agency, however, is interested in immediate results. The fact that the State Department of Health does not endorse this type of advertising does not bother it at all. The present campaign is carried out under the State Department of Agriculture and Markets and is paid for out of a tax on producers and distributors of milk. If the farmers can be shown that the sale of milk has increased since the campaign started, the advertising will be considered successful. That such advertising meets with the disapproval of the medical profession, that it tears down years of constructive educational work on the sound value of milk as a food, is of no importance. The test, it appears, lies in immediate results.

And what are these? Do people respond to this type of advertising? Do they, in fact, buy more milk because it is a cure for a hangover, a calcium treatment?

It has been claimed that they do, that the sale of milk has increased greatly in New York since this advertising campaign was inaugurated. An analysis of the figures of milk consumption in the New York metropolitan area, compiled by the Milk Research Council, Inc., does not, however, bear out the claim. The real cause of the increase in milk consumption seems to have been an increase in industrial activity, and the increase in milk sales began several months before the advertising campaign got under way. In fact the increase in milk consumption was general throughout the United States.

The milk companies should reflect carefully before they sponsor milk as a medicine, before they bring on the market milk rich in iron or copper or this or that vitamin. For if we have too many milks among which to choose we may find ourselves in the position of the young farm boy who came to the city and, confronted with grade A and grade B and other types of milk, believed that no bottled milk was any good and decided to drink no milk at all.

EDITH LUCIE WEART.

## Interlude

The element of air was out of hand.
The rush of wind ripped off the tender leaves
And flung them in confusion on the land.
We waited for the first rain in the eaves

The chaos grew as hour by hour the light
Decreased beneath an undivided sky,
Our pupils widened with unnatural night,
But still the road and dusty field kept dry.

The rain stayed in its cloud; full dark came near;
The wind lay motionless in the long grass.
The veins within our hands betrayed our fear.
What we had hoped for did not come to pass.

THEODORE ROETHKE.

# Waterfront

THE A. F. of L. and the CIO are fighting a pitched battle on the Eastern waterfront. Confident of its control over the longshoremen, and true to its policy of keeping the seamen and longshoremen apart, the A. F. of L. has started a new seamen's craft union to compete with the powerful National Maritime Union. This is a hopeless task. And while the A. F. of L. flirts with sailors, the longshoremen are deserting Joe Ryan and his International Longshoremen's Association and joining the ranks of the CIO.

Joseph P. Ryan, $15,000-a-year president of the ILA, who started on the docks as a checker, has been an ILA official for twenty-five years. Joe Ryan has long since ascended from the ranks of the working class. He lives in a penthouse and drives long automobiles. His men call him "Five-and-Ten" Ryan because of his habit of accepting offers of five and ten-cent raises. Last October, for example, when 12,000 east-coastwise longshoremen demanded raises from 90 cents to $1 straight time, and from $1.35 to $1.50 overtime, Ryan accepted the counter-offer giving them 95 cents and $1.45 overtime.

In Joe Ryan's union a longshoreman pays a $100 initiation fee and $4.50 in quarterly dues. But this does not assure him a job. When a ship is to be unloaded, all applicants for work, even the old-timers, "shape-up" in a semicircle on the dock. Ryan's delegate stands in the middle and points at those whom he wants to work. The lucky ones must kick back substantial sums to the delegate, buy fake sweepstakes tickets and contribute to frequent bread-and-butter presents for Joe Ryan. Those who refuse do not "get the finger" again. A worker speaking out of turn at meetings, or one who grumbles openly about the speed-up, or is known to read the CIO paper, The Shape-Up, is never selected.

Besides the hundred-dollar men there is a smaller group of longshoremen, mostly aliens, who speak no English. For $4.50 they get a union but-

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ton but no book, and are entitled to temporary jobs, like working a struck dock. If, for example, a Negro gang protests against the speed-up, Camarda's Italians are called down from Brooklyn to teach them how to work.

Joe Ryan wants his men to do as much for the shipowners as is humanly possible. That is why he has never protested against the speed-up and stretch-out. So the heavy rope nets which carry cargo from the hold of the ship to the dock are often loaded to 5,000 pounds, but only half the minimum number of men necessary to work such a load may be called. This "split-fall" not only puts men out of jobs, but imposes a terrific strain upon those who work it. Hogan, the stevedore, a friend of Ryan's, is known to use the best rope for his slings that money can buy. Yet one week, so heavy were his sling-loads that three times the rope burned through, and the huge tumbling crates narrowly missed the longshoremen below. These large sling-loads and small gangs often mean working stretches of twenty-five hours. The longshoreman's work varies from two to seven days a week and he may earn as little as $12.

Longshoremen are joining the CIO because they want West Coast conditions. CIO organizer Mervyn Rathborne claims 12,000 pledge cards signed by longshoremen to date. True, the West Coast has lower hourly rates than the East, but it has a six-hour day, longer overtime pay, steady work throughout the week, equal division of labor, democratic union hiring halls, and a 2,100-pound sling-load.

In the last few weeks there has been a series of small spontaneous strikes, successful in spite of Ryan's threats, against the reduced gangs, the split-fall and unpaid overtime. In Philadelphia and even in Mobile, Alabama, Negro and white longshoremen joined in protest against waterfront conditions. Most important of all is the defection of the Associated Marine Workers to the CIO. Under the leadership of Captain Maher, this union, composed of 2,500 harbormen, acted jointly with an ILA union last summer in signing an agreement with the New York Towboat Exchange. But beyond this the ILA did not coöperate, and the Captain, never known as a progressive, was driven into the CIO by pressure from the harbor workers. The affiliation does not affect the agreement, but it does affect Ryan, for the towboat workers provided a link between the docks and the incoming NMU ships. Now Ryan is beached. He can no longer tie up the harbor.

These are the fruits of CIO organizing, organizing carried on under conditions of extreme terror. More than a score of CIO organizers have been beaten up, and so many NMU men have been attacked with blackjacks and baling hooks that Joe Curran proposed an NMU police force for protection against Ryan's goons. "When they catch one of us," said a seaman, "we get slugged; but when they get one of them longies it's just too bad." One of these CIO men brought an assault case to court a few weeks ago, and found Joe Ryan in the courtroom with a coterie of bruisers.

Ryan's stand in the recent elections did him no good. During the campaign Thomas E. Dewey spoke pointedly at an NMU meeting against gangsterism and labor racketeering. After Ryan switched from LaGuardia to Mahoney, a delegation of forty longshoremen called on Mayor LaGuardia to assure him of rank and file support. "It is no surprise to me," said the Mayor, "that Joe Ryan goes one way and the longshoremen go another. I wonder how many of you boys have taken free rides to Bermuda. . . . I understand why you boys want no pictures taken. If any gorilla stuff is used against you just let us know and we'll put a stop to it."

At the same time Ryan was busy on the waterfront with his own Zinoviev letter, distributed in the form of several thousand pink cards, supposedly originating from the NMU headquarters, and calling for Communist Party recruits. Unfortunately, the name of an NMU officer was misspelt and the forgery was easily detected.

In spite of CIO progress, Joe Ryan's strength should not be underestimated. He still has two-thirds of his men, he still has a considerable body of private storm troopers and his power is still intact in the important shipping centers of Hoboken and Jersey City. These will be doubly difficult to organize because of the political situation. The time has not come for a mass strike but job action continues and disaffection grows. Perhaps Ryan will lose the ILA local by local in the upsurge of demand for democratic control.

FELICE SWADOS.

## Secular Revery

I think of the little girls at Sacred Heart.
They live behind white stucco on a hill.
They see the world by mountain morning light,
All evenings, blow no winds, are very still.
The air in their young nostrils is mixed green
Of yerba santa and ramona's balm:
Time has no choice, it cannot break the utter
Amplitude and species of this calm

Calm hillscrown in the keep of southern Sisters.
Soft creatures at the roots and in the brush,
The voice maternal of the father quail,
Tranquilize this quality of hush.
Close within the walls, so saved for God,
The clover-browed into their books are turning.
They take their knowledge with a grain of truth,
Smell footsteps in the sage and tire of learning.

All the while, deep in the cloistered flesh,
Is a gift of cells that angels cannot cure,
Holding more mysteries than all religion,
More summer nights than all of literature.
Ah, little females in the chaparral,
Whose mothers keep you clean from city dust,
And sowed you, yet unborn, with mind and matter
Ripening now for Latin: and for lust.

HILDEGARDE FLANNER.

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# Shoot the Works

*The Theatre Has Waked Up—The Kirkland-Watts Tangle a Sign of Life—Memoirs of the Royal Family*

PROBABLY producers will not agree, but in some respects this is one of the best seasons the theatre has known. Many houses are dark and smash hits are few. Still there is mist on the mirror. The stage, which was sick unto death, is coming out of its coma.

If it is true that resurgence is in the air, much of the credit must go to left-wing groups and labor. For instance, the garment workers have given Broadway a shot in the arm with "Pins and Needles." For my own taste "The Cradle Will Rock" is the best of the current entertainments and the most exciting opera of several seasons.

Passion, excitement and controversy have come back to the theatre and there never was a time when mere drawing-room comedy was sufficient to sustain an art form. In the matter of passing the laurel around, I think somebody should bestow a wreath upon Jack Kirkland, the dramatist and producer. Mr. Kirkland's contribution to cultural development was made perhaps unwittingly, but the naïve nature of his gesture renders it all the more helpful to the abundant life. Mr. Kirkland punched a critic. Such a thing has not happened for years and it ought to be a daily occurrence, or at the very least bimonthly.

As far as the merits of the altercation went, justice and right were wholly on the side of the reviewer, Richard Watts of The New York Herald Tribune. He had merely said in his own mild way that Jack Kirkland's dramatization of "Tortilla Flat" was something less than adequate. He did not have a beat on this piece of information. Indeed the show was carted off to Cain's almost before the ink was dry in the theatrical columns.

The point I have in mind has nothing to do with the merits of Mr. Kirkland's charade. Whatever his shortcomings as a dramatist may be, he has atoned by indicating that playwrights are more sensitive than the fish of the sea, that they really care and that even the most preposterous performance actually represents premeditation.

Before the battle in Bleeck's bar was done, three reporters, a linotype operator and a college halfback were all sitting on the chest of Mr. Kirkland. Very many years ago the partisans of two rival Shakespearean actors put on a riot in which several persons were killed. Since that day little blood has been shed in the cause of culture. Nobody could be expected to die for drama which was itself somewhat less than animate. But if blows are to be struck and battle cries uttered the stage again is alive and kicking.

Like all other elderly critics I am afflicted with nostalgia. It seems to me that the old days were good. I can remember back to a time when newspaper reviewers felt constrained to take lessons in the manly art of self-defense on free evenings. And Mr. Gene Tunney himself, who retired as the undefeated heavyweight champion of the world, climbed the ladder to success with the complete works of Shakespeare hidden in his right glove.

But what I have most in mind is *l'affaire* Barrymore. Scarcely a man is now alive who remembers the day and year. But once John Barrymore walked the boards and used his entire head and not merely the lovely profile with which he now edges into pictures like a beautiful paper knife. He appeared in a play written by a friend and relative. It was a bad play, and that opinion was set forth universally. The wrath of Barrymore, for some reason or another, centered upon two particular critics. One was Alexander Woollcott and the other your timid contributor.

After reading the notices, Mr. Barrymore announced that on the second night of the play he purposed to make a curtain speech in which he would name and flay the miscreants. The other Barrymores advised delay, but Jack, quite justifiably, pointed out that the curtain speech must come soon, since the vehicle in which he appeared was but a reed in the wind.

There was confusion and there were conferences. Ethel advised her brother that he had made his original mistake in reading the notices. The Barrymores, she pointed out, were an old theatrical family and aware both by tradition and experience that dramatic critics were less than the dust. Why stoop to single out one or two of the creatures?

Jack remained adamant. His speech was written and rehearsed and he intended to deliver it. Ethel Barrymore, in a panic, rushed out of the dressing room and managed to locate Uncle John at the Racquet Club. In those days he was the only player who had ever passed its portals. John Drew left his dominoes and toddled down to give his nephew Jack the party line. He supported the contention of his niece Ethel. Speaking with the weight of years behind him, he testified that never in his long career upon the stage had he ever committed the indiscretion of reading a review. He admitted that he was aware of the existence of a scribbling crew and he had also heard that these fellows undertook to instruct their betters in the art of acting. Fortunately their names escaped him. He had a vague impression that there was a reviewer called Charles Lamb. The idea of a Barrymore attacking any one of these persons seemed to him like shooting grouse out of season.

Jack Barrymore would not be moved, and so Lionel was summoned. He talked with far more vigor than any other member of the clan. Not content with advising Jack, he commanded him to hold his peace and preserve the honor of the family. Yet when he was done the rebel actor still shook his head and said, "My mind is made up. I know what I propose doing is unusual. That is the very reason why you can't dissuade me. I am going to talk about that pair of vultures in such clear and vigorous language that the story will make the front page of every paper in the country."

"You are mistaken," said the orthodox Barrymore. "The item on the front page will read 'Lionel Barrymore strangles his brother Jack in the dressing room before the performance.' "

And so the speech was never delivered but appeared in curtailed and milder form as a letter to The Times. Jack Barrymore was right in spirit even as Jack Kirkland was. No art can be healthy and vigorous unless its practitioners are ready and eager to fight for it. To borrow a line from Kelcey Allen, the veteran critic of Women's Wear, Broadway will be itself again when the slogan along the theatre lane runs "Lay on MacDuff" rather than "Lay off McBride."

HEYWOOD BROUN.

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# Washington Notes

*Anglo-American Treaty Fight—Hobgoblin of Japanese Competition—Warming Up Towards the USSR—Better Care for Mothers*

WITHIN the last few days, a big-business propaganda attack has begun on the Anglo-American treaty. Such attacks are likely to increase as the time draws near for public hearings. Just now propaganda takes the form of bestowing mild praise on a treaty with England, but of pointing out immediately afterwards that all reductions granted British importers must be equally given to Japan, and how are free American workers to compete with the sweated coolie labor of the Orient?

Mr. Hull's Anglo-American trade treaty cannot be presented as a great, heaven-shaking struggle between big business and liberalism. It isn't really a great struggle, and won't cause the heavens to topple. Nevertheless, when you come down to cases, it is perhaps the best fight in Washington. It is the one place where it seems possible to do at least something to damage monopolistic control over industry, and to get the job done within the next few months. For all the alarms and excursions since Christmas week, the administration is still generally on the defensive. There is only a remote chance of making an effective fight against monopoly in Congress during the present session. But if Mr. Hull can get a moderate amount of popular support for the Anglo-American treaty, he will probably win.

It is true enough that the treaty, by itself, will not be of decisive effect. Among the more than a thousand items to be considered, there is one group affecting the heavy-machinery industry, in which many monopolistic controls exist, and here perhaps foreign competition will be of immediate help. Until more is known about the treaty, it is difficult to point to other specific situations. Nevertheless, most experts agree that American high tariffs have been one of the causes of the uniquely rapid growth of monopoly in this country, and that a reduction of tariffs must accompany any successful drive against big-business privilege. With what appears to be a relatively sterile session of Congress before us, Mr. Hull's treaty deserves support.

It needs to be added that the hobgoblin of Japanese competition, which big-business lobbyists are trying to raise against the treaty, is largely fraudulent. British and Japanese are almost nowhere directly competitive. England exports, for example, comparatively high-grade chinaware; some of it is the costliest in the world. Japanese chinaware, on the other hand, is the cheapest. Consequently, where a reduction in duty seems likely to advantage Japan unduly, the State Department is reported to be prepared to subdivide the commodity in question into two categories —one expensive and one cheap—and grant a reduction only for the expensive category. This would satisfy the British, and keep out goods from Japan. This device has already been used in the negotiations for the Belgian treaty.

It is an ironical fact that today, when the Far Eastern crisis makes diplomatic relations between the United States and the Soviet Union of peculiar importance, they should be on a worse footing than at any time since the Soviet Union was first recognized. It is well known that Mr. Bullitt, our first ambassador to Moscow, has become strongly unsympathetic to the Soviet government, and he has considerable influence with Mr. Roosevelt. Mr. Davies, our second ambassador, went to Moscow with great plans for making himself a conspicuous and admired figure there. Unhappily he arrived shortly after the beginning of the Soviet Union's internal crisis, at a time when foreigners generally were regarded with extreme suspicion. The elaborate parties that he gave turned out to be icy, formal, even painful, affairs, and brought none of the cheerful intimacy that Mr. Davies seems quite genuinely to have hoped for. It is reported that he finally came to dislike Moscow quite as much as Mr. Bullitt had, and accepted the lesser post to Belgium with relief. At present, the Moscow ambassadorship is vacant.

In Washington, Ambassador Troyanovsky has made a relative success of his mission. But it would be an exaggeration to say that he has been able to create a ready, effective channel of communication between the United States and the Soviet Union. In the day-by-day practice of diplomacy, the representatives of great powers usually find men in the governments to which they are accredited with whom they form close personal relations. These men become their "opposite numbers." Very often, an especially delicate matter is discussed and virtually settled by an ambassador and his opposite number before it becomes the subject of formal representations. According to report, Mr. Troyanovsky has never succeeded in finding an opposite number in our State Department. This has not been due to any fault on his part, but to the long standing anti-Russian bias among American officials.

It must be noted, however, that this hostility now seems to be dissolving. This change in the feeling towards the Soviet Union is one of the most significant phenomena in Washington. Five months ago, when the Japanese armies first began their march on Peking, this writer was given the definite impression that at least some of the State Department officials were as distrustful of Russia as they were of Japan. In particular, they were greatly concerned lest the United States be drawn into a policy that would favor the Soviet Union in opposition to the anti-Communist league of Germany, Italy and Japan. This feeling apparently sprang not so much from pro-Fascist leanings as from the traditional State Department abhorrence of becoming involved in European politics. Such a feeling, if it in fact existed, has been washed away by the rising bitterness felt towards Japan.

Last week the Children's Bureau held a conference of medical and lay groups interested in better care for mothers and babies at the time of childbirth. In 1935, the latest year for which figures were presented, 147,677 mothers and babies died either at childbirth or within the succeeding thirty days. According to authoritative statements, from 60 to 80 percent of these deaths were due to poverty and lack of medical care. Under the social-security act, the federal government is empowered to give grants-in-aid to state public-health departments that meet standards set by the Children's Bureau. The sum of $7,332,055 has been allotted for the present fiscal year. Larger appropriations are needed for the future. This is something that the

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stoniest-hearted reactionary in Congress can hardly oppose, and it is to be hoped that Secretary Perkins and Miss Lenroot will insist on being given all the money they can usefully spend.

Washington. T. R. B.

# Other People's Money

*The Treasury Issues a Statement—How to Eat Your Cake and Have It Too—Pegging Wool Prices*

I HAVE been following the statements of the Treasury for a great many years. I have seen some strange documents come out of it in the days of Mr. Mellon. But never in my recollection have I ever seen so weird a statement as the one issued last week about social-security taxes and costs. The statement passes belief; I mean it passes belief that such a statement could be issued.

The old-age-pension fund is under mounting criticism. The government is collecting hundreds of millions of dollars and spending on this object only a very small sum. The balance of the money is being used to pay the expenses of the government. If the old-age-pension beneficiaries imagine that the taxes they are paying into the Treasury are being conserved in some way, they are very much mistaken. In a few years the Treasury will be collecting many hundreds of millions every year and paying out only a fraction of this. Critics have charged that the outrageously high old-age-pension taxes are held up in order to produce this very result, so that the government may balance its budget with taxes wrung from the hides of workers through the old-age-pension system.

But now comes the Treasury and announces last week that it is paying out more in social-security benefits than it is collecting in taxes. The social-security and railroad-retirement systems, according to the Treasury, have cost $294,000,000 more than has been collected in social-security taxes. The Secretary of the Treasury ought to be called on the carpet in Congress for that statement. It is false from so many angles that it is almost grotesque.

First of all, let us see what was collected and what was spent. The collections were as follows:

| | |
|---|---|
| Old-age taxes | $516,980,591 |
| Unemployment taxes | 80,649,267 |
| Railroad retirement | 68,661,556 |
| Unclassified | 2,900 |
| | $666,294,314 |

The expenditures, we are baldly informed, were $960,975,569. Therefore there was a deficit of $294,000,000. Therefore, by inference, the charge that the money is being used to pay government expenses is false.

But how was that $960,000,000 spent? The statement reveals it:

| | |
|---|---|
| Grants to states | $326,537,805 |
| Investments for old age and retirement fund | 606,000,000 |
| | $932,537,805 |

The remainder represented the expenses of administration.

That investment of $606,000,000 is put down as an expenditure. But how was it invested? The government took it, gave the Old Age Fund notes for it and spent it on government costs. There was no deficit. To say that the government spent more than it took in because of this "investment" is to juggle figures.

But this is not the worst of it. The worst deception of this statement grows out of the confused use of the words "social-security" taxes. There are no "social-security" taxes. There are special taxes for old-age pensions, for railroad-retirement funds and for unemployment. They are special taxes, levied for a precise purpose. The government is not supposed to spend the old-age-pension taxes for government expenses or for any other form of social-security purpose. Those taxes are paid in by workers and their employers to pay old-age benefits to the men who pay the taxes. Up to January 1 the government collected $516,980,591 in such taxes. Only a few paltry millions of this money were paid out in old-age pensions. The rest was used by the government to pay its expenses.

The same thing is true of railroad-retirement taxes and of unemployment taxes. The principal expenditures—almost the only important expenditures—by the government for social security was for old-age-assistance grants, which have nothing whatever to do with the old-age-pension system, and which are paid to the states and are used to pay relief payments to old persons who are already past the age and hence unable to be part of the old-age-pension system. The government has no right to use any part of the old-age-pension funds to pay these grants any more than it has to pay relief and recovery costs or the costs of running the navy. But it is doing so. It is pretty nearly time the United States Treasury quit juggling figures to fool people and above all, that it be called to account for the use it is making of the old-age-pension monies.

In the good old days of the NRA that strange institution used to do quite a bit of legislating. But now the Reconstruction Finance Corporation has assumed that function. It seems at the moment to be engaged in creating a cartel. It is considering a loan of $8,000,000 to a corporation which is to be organized by wool growers and wool dealers. The wool dealers are to supply another $2,000,000. The object of this corporation and fund is to peg the price of wool. In other words, it is decided by the RFC and the wool people that wool should sell for a certain sum. And with the funds supplied by the government, the corporation will come into the market whenever prices drop below that sum and buy wool until the price goes to the proper level. In other words, here is a little Hoover Farm Board organized, not by Congress, but by the RFC. Where does it get its power?

It is pleasant to be able to announce that the holding-company scare is over. On Friday "all holding companies" were marked for execution. On Monday the decree was limited to utility holding companies. On Wednesday it was still further limited to "bad" holding companies. Who knows, next week the Big Bad Wolf may be suckling the three little pigs and licking their little faces for them.

JOHN T. FLYNN.

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# Dreams from Rome

IN THE article on landscape painting that he has written for the Encyclopedia Britannica—a compilation, be it said, not without its divers surprises—Mr. Daniel Garber tempts the fates with this: "Both Claude and Poussin," he says, "caused landscape painting to be raised to a place of dignity it had never previously enjoyed, much as George Eliot raised the novel to a high position in English literature." For a great many people nothing short of the raw surprise of that last remark could have made them look twice at the first. Otherwise they might have taken it for granted. So much for Claude at any rate.

There are other ways of approaching the subject of landscape painting. We could speak of the Chinese landscapes whose early beginning falls around A.D. 300; or of the landscapes in the Book of Hours; or of those works by Ambroglio Lorenzetti, around 1337, in Siena, which are sometimes cited as the earliest detached landscapes. Or there is Paul Bril, born at Antwerp, living in Rome, developing under the influence of Annibale Carracci, himself a claimant in landscape honors. Bril had a pupil Tassi, who in turn was Claude's master.

We could speak also of Richard Wilson, called "the Father of English landscape painting," a highly prosperous figure painter until he left his own England for a visit to Italy, and there seeing the work of Claude threw up his past, and set out for a manner of painting that was to be four generations ahead of his time. Wilson's influence on Constable was in turn immense, and was added to the vehement admiration for Claude that Constable felt. In 1828 came Constable's exhibition in Paris, destined to be the mainspring of a new movement in French painting that was to win it an undisputed leadership for the rest of the century. All this bears on Claude Lorrain, and more immediately on the notable exhibition of his works now at the Durlacher Galleries.

The story of this painter, born in a village in Lorrain, apprenticed to a pastry-cook, setting out at twelve or thirteen with his companions to find work in Rome, the goal of cooks as it was of artists, and of the kindly Tassi befriending him and setting him to grinding colors, is easily found. The story bears significantly on that flight and quietness implicit in his paintings. Claude was born fifteen years before Salvator Rosa and lived nine years longer, but they were in Rome at the same time, and with what a difference! Mr. William Gaunt, writing of these romantic innovators in the landscape art, speaks of that insecure arrogance in one and in the other the assured humility; and yet, he says, you cannot fail to be struck by the love of freedom which they had in common, and which is the key to their painting.

We are not concerned here with Salvator Rosa; but to Claude, Rome was a gentle refuge, a working dream, a fountain of successful fame, center for the patronage of aristocratic Italy and of cultured travelers from England and Holland and France. He lived there, always a foreigner, always retreating into the contemplation and seclusion of his creation, not one of those restless intellects like the Florentines, for example, not one of those citizens of the world like the Romans, but in some elusive fashion a remote traveler, a stranger, a dreamer among men. Among men he could not even decide on a form for his own name. You will see it on his canvases and among his papers—Claude Lorena, Claudio, Claudius, Claude Gilles, Gillet, Gillé and Géllée. And meanwhile, as Mr. Gaunt says, man and woman were to Claude a strange hypothesis, like their titles. As ghosts, thus, they were easily likable, seen as they were through this golden haze of fame and good fortune that he enjoyed, peopling as they did this unreal universe of his with quaint costumes and an anatomy all but impossible. And so it is this rustic in a state of sublime befuddlement who introduced into Western painting the spirit of contemplation and who opened up the perspectives of dream. You might think of his art as charming or delightful, at times as too artificial, and sometimes as chilly and thin. But there may rise the disconcerting fact of the impalpable structure of the atmosphere that he studied and the freedom and escape that he built within it. There was the vast sky to which he could withdraw from near actual things—stone walls do not a prison make—there is the baffling and persistent strength of minds innocent and quiet who take their heritage in this.

The average of the nine paintings shown at the Durlacher Galleries is remarkably high. They are for the most part canvases of considerable dimension, and none of them is essentially inferior or has that quality of journeyman craft which sometimes appeared when this artist, overwhelmed with an international demand, set out to fill an order or carry through the satisfaction of some ambitious patronage. Nor are there paintings that might seem to justify that characteristic of the over-feminine not seldom ascribed to Claude Lorrain. These canvases are all out of American collections, and nobody could overlook the sense of judgment and choice, the discrimination as among Claude's many works, that have been exercised in their purchase.

As is well known, there came a time, especially among English critics and collectors, when Claude's paintings were more or less set aside in favor of his drawings, about which then, apparently, too much could not be said. One thing that could be said only too easily about the fourteen drawings, now exhibited and so well chosen, is that some of them, for example the "Landscape with Cattle" in pen and bistre wash on cream paper (10 by 15¾ inches), are pretty rough on later eminences, Turner for instance—in fact this particular drawing lets a good deal of wind out of Turner's famous "Liber Studiorum."

From this exhibition at the Durlacher Galleries many an insinuating ray points in some modern direction.

STARK YOUNG.

## Two Stems

I may be no more sundered, dead,
Than when I was alive
With two stems out of this earth-bed,
One seasoned to survive,
Blown full of spring's breath,
And one held down by snow;
And which was life and which was death,
I did not know.

WITTER BYNNER.

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# The Bandwagon

Explaining why Poppy Day receipts in Gravesend are down this year, Mr. F. N. Mungean, Hon. Sec. of the local branch of the British Legion, stated at the annual meeting that it was difficult to obtain collectors, as most of the girls who usually sold emblems were making gas masks in local factories.—*From The London, England, Evening Standard.*

Public showing of "The Birth of a Baby," a sound picture, was prohibited today in New York State. Frank P. Graves, Education Commissioner, asserted that he had denied a license on grounds that the film was "indecent, immoral and would tend to corrupt morals."—*Albany dispatch in The New York Times.*

The chief significance that the barbarized Macbeth at the Mayan has for me was utter annoyance. . . . I doubt that Negroes would suffer the agony of stricken conscience which is Macbeth's keynote.—*From a letter signed J. G. Moore, published in The Los Angeles, Calif., Daily News.*

May we say one last word about next month? Maxine Davis has written an important article on the prostate gland, which all women, for the sake of their husbands, should read. And now something tells us there's room left for another poem.—*The editors of Pictorial Review in their monthly "shop talk" department.*

The University [of Kansas] boys and girls are to be given Wassermann tests without charge, as a part of the health service. If this is a genuine effort to protect the health of the young men and women at the University it is a commendable move. The danger is that this service may lead to licentiousness and permiscuity [*sic*]. It is very easy to see where free treatment for syphilis, the worst of venereal diseases, may encourage a laxity of morals that will be far more harmful to the school than the old method of making the victim pay for his treatment.—*From an editorial in The Douglas County, Kan., Republican.*

### As a Heavy?

The writer has made a deep study of the [motion picture] problem and has come to the conclusion that no other person in the United States is in a better position to enter the motion-picture industry, for its good, than Mr. John D. Rockefeller. The Rockefeller family is so loved and respected by the people of the United States that Mr. Rockefeller's entry into the motion-picture industry will, I am sure, change its complexion overnight.—*P. S. Harrison, editor of Harrison's Reports, writing to The Christian Leader.*

### A Voice from the Deep

Herman Melville on Air. Los Angeles, March 4. "Men of Destiny" is the title of a dramatization to be broadcast by Herman Melville, author of sea books, from KHJ and other Don Lee-Mutual stations Sunday, 11:30 to 12, P.S.T.—*News item in The Film Daily.*

Our readers are invited to contribute to this column and $1 will be paid for each item used. Address The Bandwagon, care of The New Republic.—The Editors.

# A COMMUNICATION

## Spanish Rebellion and Catholic Doctrine

SIR: The poets of Spain write ballads to hearten the people. Some of these are put into American prose, then made back into verse for a book to raise money for Spanish Democracy. I help make this book, "—And Spain Sings." Many Catholic friends are troubled. But I stand on three grounds: Irish, Catholic, American.

Irish Nationalism is a creed of unequivocal loyalty to the twin ideals of national independence and democratic rule. Another people, after long struggle against privilege and tyranny, set up a democratic republic. It is attacked by Tories and foreigners. Irish Nationalist sympathies belong with that people and government. That it is a radical government does not matter: that is the Spanish people's concern. The unhappy position of religion and the Church does not alter the case. Religion will survive; as to the Church, Irishmen have ill as well as good to remember. A priest's curse at Tara broke the unity of an ancient nation. A Papal Bull gave Ireland to the Norman, another balked its liberation by Bruce. Clerical yes-men of Norman barons blessed every murder and massacre of the Irish. In the last century an English subsidy for training priests made Irish Bishops almost to a man renegades to their people. Cardinal Cullen denied absolution to Fenians. It became necessary to add "No politics from Rome" to the precepts of Irish Nationalism. The clergy's help has been welcome; their interference sharply rebuked. In Spain things have obviously been very different. Amid a tangle of rights and wrongs the principle here in point stands clear: every nation has a right to independence, every people to its chosen form of government.

Another Irish precept applies today: What England favors, we oppose. If any Irishman fails to see John Bull behind Franco, piety has indeed dulled political perspicacity. Byron wrote: "Well does the Spanish hind the difference know 'Twixt him and Lusian slave"; and the Portugal that was England's slave then is her puppet now. The tip-off was Portugal's sabotage of the first non-intervention move by England—Charlie McCarthy thumbing his nose at Edgar Bergen!

Clearly I am within the Irish tradition. Catholic doctrine is more complex. The Catholic Encyclopedia, article "State and Church," says "The goal of the State is the temporal happiness of man, and its proximate purpose the preservation of external juridical order and the provision of a reasonable abundance of means of human development." When the Spanish Republic, to promote "temporal happiness" and "human development," moved to end poverty and illiteracy, was it not on sound Catholic ground? And if classes and institutions whose privileges and profits are curtailed hire military thugs and call in foreign powers to overthrow the State, shall it not use all means to preserve "external juridical order?"

The same article says that the Church must respect the rights of the State in temporal matters, and must hold Catholics to fulfilment of civil duties "as an obligation in conscience." In a direct clash between Church and State, the State must yield. Yet, "The duty of submission to the Church does not exist where the citizen is not a subject

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of the Church," nor where, though a Catholic, he is alienated from the Church. Now, every Spanish voter must be either a good Catholic, an alienated Catholic or a non-Catholic. If all of the last two classes voted for the Republic, either they must be a majority, or great numbers of good Catholics voted with them. Whether the Church has lost its hold in a land where it was supreme for eighteen centuries, or whether its own communicants turned against it, the vote was a terrific indictment, calling for humility, repentance and reform. But no: when "subjects of the Church" rebel against the State they are blessed by Bishops and received at the Vatican.

Now there is another doctrine: the Church has a right to require the State to worship God and provide and promote worship. Strange that we hear little of this in America? No—for "because of the uselessness of insistence, or because of greater evils to be avoided," the Church may waive this right. Waive it where necessary, insist on it where intrigue, rebellion and massacre—evidently not "greater evils to be avoided"—may avail to enforce it!—is this the policy by which the Church must be judged by men everywhere—including America?

Consider the facts of the Spanish situation. The people voted a republic. Among those who entered into power were anti-clericals, some of that rabid, unfair, obscene type whose prevalence in Latin countries seems to me in itself an evidence of corruption in the Church. (I find some intemperate, vulgar pictures of the clergy in "—And Spain Sings"; but then, I see vulgarians, libertines, liars, thieves, crooked politicians and grinders of the poor at Mass!) Religious observance was obstructed. This horrifies good American Catholics, accustomed to an intelligent, devoted, hard-working clergy of all but unspotted integrity and moral character, and to a Church that intrigues little and then discreetly, supports education energetically and is an enlightened champion of labor. From the welter of conflicting testimony, it appears clear that the Spanish Church was rather different. Its ministry among the poor was negligent; its more devoted priests were often treated shabbily. But century after century it accumulated wealth, it drained the people. Its ministry of education had bogged down. But its monasteries dotted the country and swarmed with monks who devoured the substance of the people and gave no return. Of social conscience it gave no sign, made no effort to realize the enlightened program of Leo XIII and Pius XI. But the wealthy it courted; on the grandees it smiled; it supported the contemptible dynasty, encouraged "Little Mussolini" Rivera, blessed the bloody imperial adventure in Morocco; it was in fact openly part of the government, sharing in its blunders, stiffening its Bourbonism and sanctioning its corruption. Stripping the Spanish Church of its un-Christian wealth and its unholy privileges was of necessity a prime task of the Republican government. Anti-clerical excesses were an inevitable reaction against centuries of insolence. Then the grandees loosed their hired generals, their mercenary armies, their Moors—the traditional enemies of Catholic Spain—upon the people. What wonder that amid the passions unleashed by this treason, extreme anti-clericals seized their chance, vented their sadism and obscenity? For this terrible page in history, whose was the guilt? I say the grandees, the callous wealthy Catholics, the misers of privilege, and the Church that played politics and heard not the voice of the poor, are guilty—for every gentle nun slain, every convent sacked and altar desecrated.

I reject that conception of God which calls Him omnipotent but says it is necessary to slaughter women and children in His defense. I refuse to identify Franco with St. Michael. And I say to American Catholics that serious questions confront them. They have been taught that the Church unreservedly accepts separation from the State, that loyalty to their religion cannot possibly conflict with duty to their country. Intimations to the contrary they denied indignantly when a Catholic ran for the presidency. Now, doubts may well assail them. They have seen the legal government of Vienna drowned in the blood of its citizens by privileged Catholic swashbucklers. They behold the elected government of Spain treacherously attacked, and the people slaughtered—by Catholics, in the name of their religion.

American Catholics must get an answer from the Vatican to this question: Do you mean what you say about separation of Church and State, or will the time come when, if an election goes against your liking, you will incite us to treason and violence against *our* Republic?

Barrytown, N. Y. SHAEMAS O'SHEEL.

# CORRESPONDENCE

## "America's Sixty Families"

SIR: In The New Republic of November 17 there appeared a very misleading table reproduced from "America's Sixty Families" by Ferdinand Lundberg. It purports to show the aggregate fortune of sixty families, although on its face it shows that it refers to at least seventy-five. The net income received by each family in 1924 is capitalized at the rate of five percent to ascertain the value of income-producing property and again multiplied by three in order to obtain the "gross adjusted fortune." The assumption that taxable income is all derived from property is plainly unreasonable in view of what the income-tax statistics for 1924 show concerning the composition of large incomes. Wages, salaries and profits from the sale of assets amounted to 30.29 percent of incomes over $1,000,000. Obviously they represented no income-producing property. Income from business and partnerships amounted to 6.09 percent. Since this was partly a reward for personal service, it should not be capitalized at less than 10 percent. Dividends amounted to 53.98 percent. They should not be capitalized at less than 7 percent, since that was the average yield of all listed stocks in 1924. This leaves only 9.65 percent of the income which can reasonably be capitalized at 5 percent, including income from trust funds. The aggregate income-producing property of wealthy families would therefore be approximately ten times their aggregate income instead of twenty times.

The income-tax statistics show that in 1924 the total of exempt securities owned by the seventy-five taxpayers was $264,900,000. Since Mr. Lundberg's "sixty" families paid about one-fourth more tax than the seventy-five largest taxpayers, it is possible that they owned about $330,000,000 of exempt securities. Non-income-producing property would be generously estimated at $10,000,000 per "family." Mr. Lundberg's figure is equivalent to forty times their annual income, which to most economists would seem absurd. I cannot see any justification for estimating the gross fortune of the "sixty" families at more than $2,430,000,000, in contrast with Mr. Lundberg's estimate of $9,081,600,000.

This table may be palliated as a mere error in judgment, but on page 45 of Mr. Lundberg's book there is a passage that is more difficult to excuse. There he states, on the basis of misquoted statistics, that from 1924 to 1929 the number of income-tax payers

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was reduced by one-half. He does not mention that that reduction was entirely the result of raising the exemption from $2,500 to $3,500 for married citizens and from $1,000 to $1,500 for unmarried citizens. The number of incomes not affected by these changes in the law (those above $4,000) rose from 1,316,882 in 1924 to 1,517,893 in 1929, *i.e.*, at a faster rate than the population. Mr. Lundberg has twisted figures showing an increase in the number of persons receiving moderate incomes so as to create the impression of a large decrease.

These two examples of inaccurate statistics and false interpretations fully justify the conclusion that Mr. Lundberg's book is untrustworthy.

Westfield, N. J. RUFUS S. TUCKER.

SIR: Mr. Tucker, in his evident eagerness to come to the conclusion that the unvarnished facts in "America's Sixty Families" are "untrustworthy," commits numerous errors and sets up numerous straw men. Basically he attempts to shift the fundamental points of reference.

He insists initially that I have written about the seventy-five largest individual taxpayers, whereas I have not. He proceeds to drape his argument then around the unwarranted assumption that we are concerned with the seventy-five largest individual taxpayers. The taxpayers in the list of my sixty wealthiest families number, as a matter of fact, two hundred and twenty-seven different persons. Moreover, I state explicitly that this is only a partial list, but the best that can be drawn by anyone who has not access to the official tax returns themselves.

Mr. Tucker credits me with the "assumption" that all taxable income is based upon direct income from property. There is no such "assumption," explicit or implicit, in the book. The big salaries and entrepreneurial withdrawals of the multimillionaires are made possible only by reason of their property ownership, however. Mr. Tucker, with a fine flourish, introduced the fact that 53.98 percent of the income of the seventy-five largest taxpayers in 1924 came in the form of dividends. He attaches great importance to this fact, but may I point out that the amount of dividends received is meaningless when we come to appraise the size of a fortune. The wealthy families have long made a practice of refusing to pay out a large part of earnings in dividends, instead of plowing them back into surplus. In short, a large part of "income" is never formally collected. Furthermore, dividends received by personal holding companies and held by them were never, in many cases, received by the individual taxpayer.

Mr. Tucker would have me use a larger than five-percent return on the income of the multimillionaires, but a smaller multiple. He is obviously seeking a smaller total for the fortunes. When he refers to tax-exempt securities he is again being irrelevant and naïve, for he introduces in connection therewith the idea of seventy-five large taxpayers. I don't know what he proves by inferring that the two hundred and twenty-seven individuals of my tentative list own $330,000,000 of tax-exempt securities.

It is apparent that Mr. Tucker does not see the need, in employing a method for this purpose, to account for the devious deductions of actual income. He accepts taxable income, for example, as actual income, which I do not. It is an elementary fact in tax psychology that few report their full tax liability.

My method has this merit that Mr. Tucker's has not: It squares with verifiable facts. In this sense it is "scientific." The table in question shows that Thomas Fortune Ryan had a fortune in 1924 worth $108,000,000. Ryan died and his fortune in 1928 was officially appraised at $135,000,000, which, after allowing for the intervening rise in securities values, shows my total to be far from exaggerated. The tax payment of J. P. Morgan in 1924 indicates by my method that he had a fortune then of $90,000,000 approximately. In 1912 he inherited a fortune appraised at $77,465,985.38. The indicated ten-year increment seems to me modest. The logical absurdity of Mr. Tucker's approach is shown when he computes the total fortunes of the sixty richest families at $2,430,000,000. The Ford family alone owns the Ford Motor Company entirely, about $1,000,000,000; the Rockefeller family inherited 25 percent of all the Standard Oil properties, and assuming that its position has not been substantially changed, this would account for nearly all of the $2,430,000,000.

Where Mr. Tucker accuses me of "twisting" figures he is also wrong. At this point he wants a long technical digression, part of which he cites. The real explanation is much longer and more complicated, and as my book was not a treatise on tax intricacies, I submit that there was no need for me to consider the point partly raised by Mr. Tucker.

But all this discussion would be unnecessary if the government would permit precise analysis of the tax returns of the wealthiest families, for every year. I therefore propose that the Federal Writers' Project be turned loose on them under the guidance of tax experts. I will wager that the total combined fortunes of the sixty richest families will be shown by such detailed analysis to amount to more than my figure of $9,081,600,000. I claim no finality for my conclusions in this respect.

New York City. FERDINAND LUNDBERG.

## Mr. Dudgeon Gets High

SIR: How much do you pay for the "modernistic" poetry with which you persist in cluttering up your columns and thereby reducing their otherwise high standard of thought and expression? If you pay a whole penny for a whole poem(?) you pay too much. If this poetry originates in your popular Doghouse, from which such mournful and discordant barkings are proceeding, I can better understand its *raison d'être*. Perhaps I belong in that doggie population, too; else I might not thus complain about these poetastings of Twentieth Century Culture. But please give us poor creatures, who have been brought up on Homer, Virgil, Goethe, something that we, too, can relish.

If you can't do better, then give us Markham or Thomas Clark, or Coblentz. But give us somebody who has some semblance of rhetoric, who knows how to build a sentence, at least; who can put important meaning into beautiful phrase; and comes within gunshot of the usual clarity of your economic writings. There are people aplenty who are seeking truth, inspiration, courage, to live and carry on in the midst of our present world insanity. And many will respond better to good verse than to the best prose. Please keep out of the "G. Stein" class. Count up your poetry readers, and find out how many smack their lips when trying to taste your poets. Or, perhaps you are paying them for enjoying their own work(?) in print.

West Branch, Mich. W. J. DUDGEON.

## The Farce of Relief

SIR: Now that the hue and cry for balancing the budget is once more in full swing, it is well to remember that millions of Americans face this winter the most severe and intense suffering since the depression began.

Unemployment is growing. WPA rolls have been cut. And direct relief has become a farce in most parts of the country. Chicago reports that relief recipients live in "quarters hardly fit for cattle and are subsisting on an amount of food of which the cost per meal is less than that provided for dogs by local animal shelters." Two hundred to three hundred evictions take place every week, and tens of thousands live in darkness because they have no gas or electricity. Denver has cut a starvation relief budget by 60 percent. In upstate New York a family of six live on $3.39 a week, and are compelled to buy certain foods at certain places, no matter how much they may be cheated or poisoned. Even New York City, with the reappearance of the reactionary Victor F. Ridder, is moving in the direction of relief cuts. And so far as the South and Southwest are concerned, relief is almost non-existent.

People are starving or slowly being starved to death. Only a fool, hypocrite or liar would deny it; at the very least, so far as transient relief is concerned. Transients are a football between the federal and local administrations. The problem has been solved by hiding its existence and transients this winter will be worse off than during the darkest days of the Hoover regime.

Hundreds of thousands have been fired from the WPA to hunt for non-existent jobs despite the promise of the federal government to employ them. Hundreds of thousands more will be fired in March; perhaps the whole program ended as the budget balancers got into action. And now thousands are forced into coolie wage

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levels as the WPA closes projects in Louisiana at the behest of cane sugar growers, in California for rich farmers, in Texas, so it is said, at the orders of Garner and his pecan-growing colleagues.

Big business is responsible. Big business is selling the American people down the river and, with a few notable exceptions, the federal and local administrations lack the guts to fight back. The only encouraging factor is the interest displayed in the problems of the unemployed by the CIO, as indicated by the platform on unemployment adopted in Atlantic City. But even the CIO, in the light of the emergency, is moving with the swiftness of a glacier.

This winter people will starve, commit suicide, go mad because relief has been cut off and they have nothing to live on. Here, at least—relief and WPA—is one issue around which everyone with a tinge of social consciousness can rally, remembering that fascism rode to power on the sufferings of the unemployed.

OSCAR R. FUSS, Vice-President,
New York City. Workers' Alliance of Greater New York.

## From The New Republic Mail Bag

John C. Rogers of Alexandria, Virginia, voices his disgust with the attacks that have been made recently on the character of American seamen. His own experience and that of other travelers he has consulted indicate that the charges of drunkenness and insulting behavior "are pure lies, developed for the sole purpose of breaking up strong maritime unions." He would like to see a strong protest from other passengers who believe the charges are false. . . . Ethel Worshorn of Fairhope, Alabama, commenting on the Soviet executions, says that they have strengthened her "respect for a country which deals resolutely with social saboteurs who, in other lands, only hear themselves chronically and harmlessly denounced." . . . Joshua Parker of Brooklyn, New York, disagrees with Bruce Bliven's argument in "This Is Where I Came In" (January 5). Mr. Parker thinks that a world war involving the fascist nations would result in their self-destruction.

R. C. O'Brien of New York City thinks that among the great paradoxes of our times should be included the fact that "travail and depression have resulted in better roads, more magnificent public buildings and parks." . . . Edna Ocko, manager of the American Friends of the Chinese People, 168 West Twenty-third Street, New York City, urges New Republic readers to attend the dance recital of Si-lan Chen at the Windsor Theatre, January 30, for the benefit of ill and wounded Chinese civilians. . . . N. M. Layne of San Diego, California, believes that a private boycott on Japanese silk is of little avail as long as the United States continues to sell her oil, copper and steel. . . . Helen Crosby McCabe of New York City says that Matthew Josephson's review (December 1) of Eugene Lyons' "Assignment in Utopia" failed to present a sufficiently clear picture of the contents and intent of the book.

## What's on the Air?

Modern Age Books presents dramatized book reviews of "Men Who Lead Labor," "Blood of the Conquerors" and "Death Slams the Door," Saturday, January 29, 9:30 P.M., WABC.

Dr. Forest Ray Moulton, secretary of the American Association for the Advancement of Science, speaks on recent achievements in the physical sciences, Wednesday, February 2, 7:45 P.M., NBC-Blue Network.

"Social Diseases" is the topic of discussion by Surgeon General Thomas Parran, General John J. Pershing and Dr. Ray Lyman Wilbur on a National Social Hygiene Day program, Wednesday, February 2, 10:45 P.M., CBS and NBC-Blue Network.

Musical and dramatic programs include the Metropolitan Opera broadcast of Wagner's "Tristan und Isolde," Saturday, January 29, 2 to 5 P.M., NBC-Blue Network; "Madame Curie," dramatized by the Columbia Workshop, Saturday, January 29, 8 P.M., CBS; "Second Overture," an original radio play by Maxwell Anderson, Saturday, January 29, 9:30 P.M., NBC-Red Network; Georges Enesco and the Philharmonic-Symphony Society of New York, Sunday, January 30, 3 P.M., CBS; and the Cleveland Symphony Orchestra conducted by Arthur Rodzinski, Wednesday, February 2, 9 P.M., NBC-Blue Network.

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# BOOKS IN REVIEW

## Reviewers on Parade

AT LAST the Dos Passos trilogy[1] has been given a title—"U.S.A."—and has been republished in one big volume. The first novel, "The 42nd Parallel," was out of print, and therefore it has been reset into type with a few revisions—chiefly in the Newsreels, which needed them. The second and third novels—"1919" and "The Big Money"—have been reprinted from the original plates. Nothing has been added to the trilogy except for a prose poem that serves as a foreword; it is just long enough to make this a first edition. In all, the book is 1,467 pages in length, and sells for $3, and I hope it will be read by everybody interested in the present or the future of American fiction. In particular, I hope it will be read by those critics who reviewed "The Big Money" with an abundance of adjectives, glowing or glowering, but without even trying to understand what the author had written.

It is the critics rather than the novels that I should like to discuss this week. The publication of "The Big Money" in August, 1936, was one of those events that rally the reviewers for a formal parade. Everybody in the book world knew—or should have known—that a serious American novelist had just finished his most ambitious work. Everybody wanted to speak his piece about it, from the metropolitan pundits down to second-string reporters in Okmulgee and Eau Claire. I don't know how many hundreds of thousands of words were written, since the publisher's file of press clippings is incomplete. Even so, it weighs two pounds and five ounces and took me six hours to read (not counting the time spent in taking notes). I finished it in a mood of bleak depression.

Yet some of the reviews were excellent. The best of all was the one that appeared in Time, the news magazine; it was written by Robert Cantwell and T. S. Matthews, in collaboration. They had read not only "The Big Money" but the two novels that preceded it; they had interviewed the author; they explained his methods and what he was trying to do. Their report was not so much critical as informative, but it contained all the materials for criticism. After Time, I should say that The Herald Tribune Books (Horace Gregory) ranked second, The Nation (Max Lerner) third, and The Saturday Review (Bernard De Voto) fourth. Most of the weeklies had capable reviews; except for a bit of brightly smug misinformation in Newsweek, none of them was really bad. But the monthlies and quarterlies were disappointing. Only two—The Southern Review (Henry Smith) and The Atlantic (Theodore Spencer) reached the level of respectable British reviewing.

The dailies were worst of all, as might have been expected. In New York, Robert Van Gelder of The Times was fair to middling and William McFee of The Sun was cold but conscientious; the others ranged from trivial to ignorant to unspeakable. Not one of the New York dailies was on a level with the best in at least half a dozen other cities. I should certainly mention The Baltimore Sun (A. D. Emmart), The Washington Post (Vincent McHugh), The Kansas City Star, The Minneapolis Journal (Jay Edgerton), The Harvard Crimson; and the list might be extended. Radio Station WGY, in Schenectady, was wise and discriminating. Hope Holway, before reviewing "The Big Money" for The Tulsa World, read the whole trilogy during one week-end. She might have written more brilliantly if her eyes hadn't been tired, yet even so she did a better job than Harry Hansen. But there were hundreds of newspaper reviews and the general standard was discouraging. The worst of them reached extremes of misspelling, misstatement and utter incoherence that made you wonder whether their authors could pass an intelligence test for normal twelve-year-old children.

I am not judging the reviewers on the basis of whether they praised or disparaged "The Big Money." That was a question to be decided in the light of their own taste and training. But they should have reached some opinion, favorable or unfavorable, and they should have given their reasons for reaching it. They should have read the novel; they should have learned what the author was trying to do, and by what methods; they should have decided how well he did it and whether, in the end, it was worth doing. These are the elementary conditions to be met by anybody writing about books. In the reviews of "The Big Money," they were met very seldom.

Dozens of reviewers either had no opinions or else were afraid to express them. They said: "There are so many conclusions to be drawn from 'The Big Money' that it is best to let each reader reach them in his own way." These critics ran off before the battle. Others borrowed the opinions of Horace Gregory or Bernard De Voto: that was another way to evade the task of judging the book for themselves. Still others affected a stuttering, slangy enthusiasm ("It's a wow, a peach, a honey!") or made a pompous gesture of rejection. Still others—perhaps a majority—sought a refuge from argument in simply telling the story, and telling it monotonously, inaccurately, repetitiously, until the reader howled with boredom and exasperation.

But the worst charge to be made against reviewers of "The Big Money"—and I take it that they represent American reviewers in general—is that most of them have never learned to read. They start out with a preconception, and they read the preconception instead of reading the book. They hear that Dos Passos is a communist (which he isn't) and so they write a little treatise on communism in Russia. Or they hear that "The Big Money" is a proletarian novel (which it isn't) and review it in terms of their ideas about proletarian literature. Or they hear that it is "formless and chaotic" and therefore make no attempt to understand its structure. Or again—and this happened often—they accept it as a picture of American life and then violently attack it for not including the sides of American life with which they claim to be familiar—it neglects the working class, says one reviewer; it neglects the nice rich people, says another; it neglects home life in the small towns, says a third. And all these critics forget that "The Big Money" is part of a trilogy which has already dealt with workers and small towns and rich people who weren't monsters. They haven't read the two earlier volumes.

Some of them have scarcely read "The Big Money." Burton Rascoe, writing in Esquire, suggests that most of the book is not worth the trouble. The biographies are good, but the Camera Eye is merely "an anthology of obscure Dadaistic poems." As for the main narrative—

[1] U.S.A., by John Dos Passos. New York: Harcourt, Brace and Company. $3.

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> Dos Passos rises but little higher than Donald Henderson Clarke. . . . In the Charley Anderson story the irony is so mechanically conceived that you would think a good artist would reject it as material even if he happened to know of a case like it: an aviator returns from the war, gets in on the ground floor of the aviation business, makes a fortune in aviation stock during the well known boom days before 1929, and is killed in an airplane accident.

Now, if Charley Anderson had really been killed in an airplane, that would have been mechanical irony, though hardly more mechanical than life itself. But it happens that Anderson was killed in an automobile as the result of getting drunk and racing an express train to a grade crossing. Dos Passos tells the story at great length on pages 366-77 of "The Big Money." If Rascoe had even paged through the book, I don't see how he could have missed it. Yet there were other critics who made the same mistake. Said Isabel Paterson in The New York Herald Tribune: "The Wright Brothers, for example, were remotely responsible for both the life and death of Charley Anderson, who made his big money out of an airplane factory and died in a plane accident." The critic of The New Haven Journal Courier also had Anderson dying in a plane; evidently he followed Isabel Paterson in preference to following the book. Miss Paterson and Mr. Rascoe are friends; they seem to have traded misinformation. Worse, both built a brave structure of generalities on a shaky foundation. Said Miss Paterson: "There are all the materials of a great novel, brought together and placed on the assembly line. The trouble is that the reader is expected to do the novelist's real job of assembling the parts." That sounds like a keen observation. But how could she tell what the reader is expected to do without being a reader? Said Mr. Rascoe: "As a novel I think 'The Big Money' is an anticlimax which was already foreshadowed in '1919,' because that novel was not a progress in the choice and use of materials over 'Manhattan Transfer'." But how could he measure the progress without knowing what materials the author had used or how he used them? Most of us have to read a book before judging it.

Herschel Brickell did read "The Big Money," but with a sort of spiritual blindness. On his case, and that of Bernard De Voto, I'd like to report next week.

MALCOLM COWLEY

# The New Deal—Second Half

*Roosevelt—and Then? by Stanley High. New York: Harper and Brothers. 326 pages. $3.*

DR. STANLEY HIGH speaks to us essentially in the old terms of newspaper editorials and party orators. His overwhelming anxiety is lest Mr. Roosevelt and his advisers may be seeking certain democratic ends by "undemocratic methods." In addition, he warns us solemnly that the New Deal seeks to be "self-perpetuating."

Is Mr. Roosevelt, after all, a "dictator"? In a study that is part eulogy, part friendly admonition, it is hinted that this President is something like a dictator. Dr. High informs us that his temper has become "autocratic." But most of those who have been crying "Wolf!" especially the new libertarians of Wall Street, wanted another kind of "dictator"; the others, who fear that we are being reformed and regimented to death, have never looked into the teeth of a real dictatorship. Yet in another, purely American sense, Mr. Roosevelt is and has always been a dictator. For generations, ever since the rise of the party system, our whole democracy has been run by a legion of dictators. They infest every ward and county political club, and are known simply as bosses. The party organization in each state has its state boss; and Mr. Roosevelt, as leader of his party, bosses, or tries to boss, all the other bosses.

The President under our laws is really a plebiscitary king. Immense power lies in his grasp through the patronage system. He may reign as a weak monarch, sharing most of his influence with a cabal of Senators, or with a national boss like Mark Hanna; or, if he is energetic and venturesome, he may run the "steam-roller" of party power himself, as did Theodore Roosevelt in 1904; he may act as President and party leader at once, wielding a "big stick." Woodrow Wilson, for a time, also held such party leadership, while his Republican successors abdicated it. Franklin Roosevelt's assumption of leadership bespeaks an amount of luck, nerve, political artistry that is rarely combined in one politician, as a result of the dreary circumstances which usually determine the choice of an American President.

Mr. Roosevelt stands gravely accused of having chosen advisers who were—think of it—university professors, or even intellectuals. Undoubtedly there must be some exaggeration in this. But the emergency was calamitous in 1933; bankers were not honoring checks and industrialists were not creating industry. The professors, at least, were ready to face the future boldly, as if they had nothing but their academic chains to lose.

Mr. Roosevelt, it is argued also, should not "dictate" bills to Congress—certainly not beyond the duration of the crisis. In exercising leadership on Capitol Hill Mr. Roosevelt has exceeded the traditional limitations of his office, but more, he has been "going over the heads" of the run-of-the-mill politicians, in his fireside radio talks, until "their constituents are no longer their own," but the President's, and they dare not oppose him. He has made the whole cumbersome democratic machine work swiftly, at moments. And through his party lieutenant Farley, and by various devices of publicity, he has endeavored to build political entrenchments which would prolong the power of his New Deal "machine." Such is the record of his excesses. Yet, no one of these expedients should sound new to students of history.

But what is the New Deal? What, after all, does Franklin Roosevelt represent? Dr. High says, for instance, that Mr. Roosevelt "is not for labor because he is against capital. He is for labor because he is for capital." He believes that "even the most critical and pressing problems can be worked out inside the structures both of capitalism and democracy." Here is a credo or program hopeful and vague enough to have both Mr. Jerome Frank and Mr. Joseph P. Kennedy subscribe to it. In reality it carries on the politics of "equilibrium" between classes, much like the social-democratic statesmanship of certain European nations. In its very nature it involves bargain, compromise, delay; so that capitalists remain tormented by uncertainty. On the other hand, farmer and labor leaders would do well to deal carefully with a President who embodies such a policy. They may make tangible gains only by exerting everlasting pressure. The typical politician, as I. F. Stone has said, usually frames "humanitarian measures which he hopes to God the people won't really believe in or act upon." But when a law responds to deep-felt popular needs—as in the case of Section 7a of the NRA or the Wagner Act—and the people themselves proceed to put it into execution, then things begin to happen and the world changes.

The slump of recent months brings us to a low point in the Roosevelt regime, a season of danger in which the achievements of years may be undone. The recession, which became manifest after the printing of Dr. High's book,

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has also invalidated a great deal of the author's diagnosis.

In fact, reporting the great New Deal football game in which Franklin Roosevelt has been starring is no mean assignment for even the best of Monday-morning strategists. Undeniably a set of fast, modern, open-field plays has been combined with Old Stuff by the up-to-date coaches. The game shifts rapidly: double-spinners, reverses, quick-kicks, lateral passes. Meanwhile the Traditional Opponent, with his All-American guards and marked advantage in beef, puts up a bull-dog defense, especially when in the shadow of his own goal; a defense to which slugging and clipping-from-behind are no strangers. Once, to cries of "Hold 'em!" he even took the ball away at the six-inch line (Supreme Court). One thing is clear, as the second half wears on: despite all the "hipper-dipper" deception used by the Great Quarterback, his offensive drives go more and more ragged beyond the twenty-yard line. Most of the spectacular play is held at mid-field. Moreover, our Triple Threat has shown an erratic, prep-school habit of eluding tacklers by running back toward his own goal-line.

MATTHEW JOSEPHSON.

# The Cabinet of Dr. Kafka

*The Wild Goose Chase, by Rex Warner. New York: Alfred A. Knopf. $2.75.*

*Poems, by Rex Warner. New York: Alfred A. Knopf. 93 pages. $2.*

FOR SOME time, particularly in England, people have been turning to the work of Franz Kafka: it was discovered suddenly that the obscure Austrian writer supplied a brilliant antidote to the current diseases of the novel. He was the impetus needed to free the imagination from the meaninglessness of fact, and give an integration, or rather *method* of integration, for the material of fiction. And it was he who opened up the blind alley of realism and made plausible once more the forms of allegory and myth.

"The Wild Goose Chase," by a young Englishman of the Auden-Spender-Lewis group and inclination, is the first serious novel in English in which these forms and this impetus have been adapted to a truly modern content. More specifically, to the anti-public school, anti-bourgeois, vaguely and rather satirically pro-communist orientation that has lifted Mr. Warner's friends to the crest of the literary wave. (It should be said here that there is in Mr. Warner less public school and more communism than in any of his better known contemporaries, and that his work is of correspondingly greater interest.) The Kafka influence is direct and clear, and also curiously oblique. For Kafka the allegory, or release from common-garden conceptions of cause and effect, is a means of exploring certain logical and philosophic preoccupations. For Mr. Warner it satisfies a quite different need. He is not primarily interested in the common philosophical dilemma, though he poses one, but in the common social dilemma that balks the private search. And he has adopted a form that allows the presentation of the problem as a poetic concept, and a lyricism and clarity of satire that have been lacking in prose.

It allows also, and this is perhaps its central inspiration, a dream quality and situations created out of long neurotic fear, not lucid as in Kafka's imaginings. This is, in one aspect, the myth of young men growing up between wars and fearing desperately for their manhood. The playing-field is of rubber and stretches to keep the best team from winning, and then the lights go out; trapped in the King's room the hero sees the walls beginning to close in; the Professor of Love will never forget his "agreeable perturbation" when first he saw a woman roasted. Such pictures are the subconscious of the plot. For the rest, except for certain weaknesses which another method might reveal too much, the element of fantasy can be almost discounted. The characters of the story are symbols only as real people are. Their traits are those of ordinary human beings, perceived with delightful, one might say wicked, insight, and brilliantly put in their places in the social order.

The key to this transformation of Kafka's usage is in a concept derived partly from psychoanalysis, expressed in one of Mr. Warner's poems: "by dying and by denying to believe and come alive." Three brothers set out on bicycles to find the Wild Goose, a symbol never clearly defined and one whose meaning emerges gradually through their adventures in the mythical country beyond the "frontier." It is those qualities which in the brutal present make the revolutionary, and which represent also a life beyond revolution. "It is the love of living, of delicacy, of strength," something to be found only through a "dying" of one's previous self. Rudolph, the speed-and-success man, goes wildly astray in the new country, and achieves vision only when he has been blinded and is no longer fit for the chase. David, the intellectual, is taken in by the hypothetical perfection of the country and is reduced to torturing prisoners as a form of theoretic bliss. It is the youngest brother George who, as the fairy tale has it, keeps his purpose always in mind, and by joining a revolution of peasants and workers and helping to overthrow a corrupt, fantastic government, achieves partial success. Partial, since he has exposed the stuffed goose in the city temple and has seen the live one, but he has not found it: revolution is only the first step, without which the search turns in on itself and fails.

The story is refreshing; even, in its whole meaning, beautiful. Its weakness is one from which Auden and the rest also suffer and which is more apparent in Mr. Warner's unimaginative verse than in his rather too convincing allegory in prose. Many of his poems are inspired, as is the novel, by various dissatisfactions with things as they are and the realization that the poet's suffering is no good now as a private affair. But unfortunately this realization, honest as it may be, still smells of paint. "Now common words are sweetest and ordinary behavior/enchants the sense with its marvelous beauty." In practice, however, it is palm trees at night or the flight of lapwings "like uneasy ghosts slipping in the disheveled air" that inspire the poet's firmest work and his fine side-glancing images. When dealing with the upper classes he falls too easily into the sing-song advice from an undergraduate with which we are familiar, and "common words and ordinary behavior" are so remote still, so much more a question of conscience than of sensibility, that even his feeling for language fails in their service. One of the most moving and successful poems, "Hymn," leads back to "The Wild Goose Chase":

> Come then, you who couldn't stick it,
> lovers of cricket, underpaid journalists,
> lovers of nature, hikers, O touring cyclists,
> now you must be men and women and there is a
> chance.

In the novel too it is the underpaid journalists, the sexless students, those who could write only book reviews, who are called out of their perfumed lairs to come and be alive. And it is they who are understood: the proletariat, bringer of new life, is present only by hearsay, and the true blood of the movement is all pastoral.

ELEANOR CLARK.

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# Mea Culpa

*Year's End: A Book of Poems, by Josephine W. Johnson. New York: Simon and Schuster. 77 pages. $2.*

THE BEST of these poems are those which are definitely revolutionary. They have a validity not always found in proletarian poetry. Making no attempt to identify her point of view with that of people whose lives she has not intimately shared, Miss Johnson speaks for her own class:

> We of this group, this stratum, this much discussed
> and labeled class,
> Who give and doubt and think, and rest upon the
> pillow of our means.

Add to this honesty her genuine poetic gift. Older writers, forced to adjust their previous preoccupation with form to a new awareness of the importance of content, may well envy the ease with which she adopts whatever type of expression suits her purpose. She has no fear of being lyrical or of using her gift for descriptive detail. Her language is rich in Biblical reference—a neglected vein in American speech.

"Year's End," the long title-poem which concludes the book, turns the searching beam of conscience inward and results in a passionate indictment and appeal which cannot fail to move. That it might have profited by pruning, by a greater austerity of speech, is unimportant. This first book of poems by one who has already won her spurs in prose is both achievement and promise. MYRA MARINI.

# Waiter!

*Coming, Sir! The Autobiography of a Waiter, by Dave Marlowe. Philadelphia: J. B. Lippincott Company. 313 pages. $2.50.*

BORN IN a family of English stewards, Dave Marlowe got his first ship when he was only a kid, and has been hustling around ever since, in ships, in England, in this country. Steward, bootlegger, speakeasy barman, waiter on jobs ranging from the Waldorf down to Greasy Spoons along the Bowery. When he was flush he threw his money around; when he was broke he was practically on the bum. He is no college squirt, working a summer resort or whoopee cruise for Material to write a book. Waiting is his profession, all the irritations, dodges of it and hopeless routine of going from job to job (he had tried his hand at pulp fiction and given it up: he wrote this book on an off-chance while out of work). And the profession is mainly what he writes about, neither romancing about it nor spreading it on with self-pity, more philosophical than angry or put-upon—though fussy matrons and rich slobs and the typical head waiter can very well be damned. Incidentally, he found much better treatment of servants in this country, ashore and afloat.

His adventures have been the average lot of the adventuresome, but of them he doesn't tell a very good yarn. The fascination is in the life of this other world that stands at your shoulder while you eat, what has to be done and what not, what codes there are, what differences in station, what sizings up and hidden contempts, patience, skill and calculated blandness. Only the very smug can fail to wonder, as types of waiters change or remain the same from chop-houses to the better hotels, Jewish, Greek, Italian, French, what the devil goes on with them.

Dave Marlowe is a seasoned hand at his job, and yet at the same time articulate and shrewd in estimating the world and his place in it. His picture is vivid and fairly complete, probably the most exciting detail of it being the resourceful bootlegging activities he and a couple of other stewards serenely carried on during the twenties. What he doesn't say, because it has never apparently gone to his head, is that he is worth about a dozen each of three out of the five people before whom he bows smiling, whisks a napkin and replenishes the butter. OTIS FERGUSON.

# Peace Never Costs Too Much

*Background of War, by the Editors of Fortune. New York: Alfred A. Knopf. 316 pages. $2.50.*

*Revolt Against War, by H. C. Engelbrecht. New York: Dodd, Mead and Company. 381 pages. $2.50.*

*If War Comes, by Majors Ernest M. Dupuy and George Fielding Eliot. New York: The Macmillan Company. 378 pages. $3.*

CHANGES in diplomatic, political and military situations throughout the world are so rapid that predictions about "the next war" become outmoded overnight. The sinking of an American gunboat on the Yangtze, the discovery of caches of arms and ammunition in France, the development of a 5,000-mile flying boat carrying 100 tons—such factors lead to results that no amateur prophet of doom can safely foretell. None the less, the lessons of past wars and a knowledge of current developments in the fields of international diplomacy, politics and military art give a partial view of what may be just around the corner for all of us. Three recently issued volumes taken together contain valuable estimates of the causes, conduct and results of a future war of major proportions.

The character of the next war will be determined by the governments and the peoples who fight it. We may expect from dictatorships swift, headlong onslaughts and the determination to be utterly ruthless. Dictatorships lack an industrial economy or natural resources sufficient to withstand the drain of lengthy modern conflict.

Democracies are more loosely constituted and have greater powers of improvisation and resiliency in the face of emergencies than dictatorships. In the event of war, they will be slow to start, but their staying powers and their resources are considerable. Their governments and their peoples are more adaptable than those of dictatorships, not being designed for a single end, or fitted into a rigid mold.

But whatever the countries engaged in a major future war, its effects upon the populations of those countries, and the terrific upheaval it will cause, are matters that make the strongest hesitate before these consequences. Disease, lawlessness, poverty, revolution, even annihilation are fairly sure to visit one if not all of the belligerents in varying degrees. Modern conflict has abandoned whatever ennobling characteristics war ever had. The survivors will be no better off than orphans in a waste land.

This, in general, is the picture of the future war these three volumes attempt to describe from divergent points of view. The editors of Fortune say: Study governments and people if you would know the causes of this next war. This is the modern concept of grand strategy, the essence of true military intelligence. In this respect "Background of War" is almost a handbook for the military man. In it is assembled an imposing array of studies from the magazine Fortune dealing with diplomacy in England, the Spanish civil war, Hitler's Germany, the France of Premier

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Blum and the armaments of the Soviet Union. But already many of these studies and the situations with which they deal have completely changed since they were first published. The understanding of the countries they provide, however, is of importance in estimating the probability of a future conflict and the conditions under which it will be fought.

Mr. Engelbrecht in "Revolt against War" devotes himself mainly to the impact and the effects of a next war upon people. He has searched considerable new source material to provide himself with an estimate of what the next war will do to the countries engaging in it and what will happen to the individual. It is a harrowing and gloomy array of evidence he has assembled. We may expect epidemics, poison-gas attacks, corruption by wholesale propaganda, economic chaos, dictatorship. Though Mr. Engelbrecht is a pacifist of note, he presents his evidence in a restrained manner, and makes his point that war is a dirty business and man a despicable animal when he engages in fighting.

Further, Mr. Engelbrecht shows that man is not as anxious to fight as many of the military men would have us believe. He has to be coaxed, exhorted, enraged and frequently duped before he is worth his salt in the front lines. Many who have been to war and conducted themselves bravely, recant when the enthusiasm and the excitement wear thin. The testimony of former military men here is most interesting.

The strictly military aspects of the next war are handled by Majors R. Ernest Dupuy and George Fielding Eliot in "If War Comes." This is the least helpful of the three volumes, as these military spokesmen want the next war fought pretty much according to army regulations. The trouble with the last war, regarded as a successful undertaking, was that no one followed the regulations except the generals. They did a very poor job until amateurs and civilians pried them out of the stalemate they had contrived on the Western Front.

Majors Dupuy and Eliot limit themselves by adhering too closely to the army dogmas of the United States, whose military men are not generally known as members of the advance guard in the march of military progress. The Majors prefer to rest upon the doctrines of war of the General Staff and Service Schools of the United States Army and close their minds pretty much to what is being done and written in other countries. Thus, they reject such recognized military writers as Captain Liddell Hart and the Italian General Drouhet almost in toto, and they write about the next war as if everyone would follow out the precepts and teachings current in our own army and navy circles. In addition they neglect such important factors as industry, labor, the press and politics, or fail to stress the part they will play.

There is considerable space given to the role of aviation, and the increasing rapidity of movement in modern armies receives thoughtful treatment. But the utter reliance upon the foot-soldier to take and hold ground is ever uppermost in their thoughts, and permeates their whole reasoning. They point out that no new weapons of importance have been developed since the World War, but that the existing ones have been greatly refined. Tactics have closely followed this refinement, but have not gone very far beyond, according to Majors Dupuy and Eliot. While this may be true in our own country it does not hold for the highly militarized nations of Europe.

In passing, Majors Dupuy and Eliot suggest that the great wars of the future may be fought as struggles between different ideas and political faiths. This is one of the lessons to be learned from the war in Spain.

No one can ponder the facts contained in these three volumes without feeling that modern war with all its implications is the most dangerous threat a nation can experience today. They are powerful arguments for isolationists and bring the realization that whatever the cost, peace never costs too much.

ROBERT WOHLFORTH.

# Weighted History

*The Crisis of Civilization, by Hilaire Belloc. New York: Fordham University Press. 245 pages. $2.50.*

BELLOC here gives us a curve of history, succinctly interpreting from a Catholic point of view the development of Western culture through four stages: decay of pagan Rome, with rise of Catholicism; development of the Catholic hierarchy until the flowering of Catholic culture in the thirteenth century; subsequent corruption, leading to the Protestant Reformation; rise of business culture out of Calvinism (with communism as the mere *completion* of capitalistic errors). In a fifth part he discusses Catholicism as the only hope of saving mankind in the "war of religions" between Catholicism and communism. Such redemption would not require a mass conversion to the Church, but merely a sufficiently numerous, active and informed body of Catholics to give their "tone" to society (by upholding values and legislation that made for a maximum restoration of small property owners). Belloc here exhorts mainly in the name of "independence," which would seem to mark him as somewhat Jesuitical (in taking over a *capitalist* value for Catholic propaganda as the Jesuits originally took over Protestant values for Catholic propaganda). Thus, a Catholic reviewer of an earlier and similar volume by Belloc noted that a more genuinely Catholic slogan than "independence" would be "interdependence."

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The book, being mainly addressed to believers, would seem to require more good will on the part of general readers than many are apt to muster. On the subject of pre-Reformation decay, for instance, we are told: "It may fairly be said that the main cause of decline was old age." But if it was simply "old age" that was the decisive factor five hundred years ago, impairing "watchfulness and readiness to reform," we must show good will to keep from asking what factor short of second childhood might change the situation half a millennium later. The diagnosis is used when handy, and dropped when it isn't.

Again, we are given an excellent materialistic explanation of Mohammedan forms, but must be distinctly more spiritual when considering Catholic forms. Or again: we are told that the Church in the fourteenth and fifteenth centuries became corrupt because society as a whole was corrupt—but we must not remember this equation when the author is on the subject of contemporary decay.

Further, it is somewhat of a strain to see the establishment of communism described as "beginning with wholesale massacres on a scale hitherto unknown among Christian men, comparable only to the Asiatic orgies of the Mongol invaders seven centuries ago," while remembering that the glories of the thirteenth century ("that supreme moment of our blood") were described with a light flick at the Albigensian slaughter in this wise: "The last great effort to destroy Christian society from within, the Albigensian movement, had been crushed."

If you consider the Renaissance and Reformation as natural developments out of medieval thinking and production, you get one result; if you think of them as a kind of "second fall," you get another. The latter is Belloc's.

KENNETH BURKE.

# New Books: A Reader's List

YOUR MONEY AND YOUR LIFE, by Gilbert Seldes (Whittlesey House; $2.50). The various evils that beset this country described in terms of what they cost the middle class in hard cash. Mr. Seldes wants the middle class to organize—not nationally, for that might lead to fascism, but locally, in groups of ten or fifteen members which can exert pressure on the local bosses and thus help to defend consumers' rights. Not a bad idea.

TWO WARS AND MORE TO COME, by Herbert L. Matthews (Carrick and Evans; $2.50). The adventures in Ethiopia and Spain of a war correspondent who goes out to the front instead of sitting around the press bureau and waiting for handouts. Matthews doesn't always know what he thinks, but he knows what he sees and tells the truth about it. Our nomination for a Pulitzer Prize.

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BOUNDARY AGAINST NIGHT, by Edmund Gilligan (Farrar and Rinehart; $2.50). A first novel of turbulent deeds, the New England country, Irish Catholics and intellectuals, the blasted men of the War and the great Boston police strike. A long book, with some fine, lusty and sensitive writing.

JAPAN DEFIES THE WORLD, by James A. B. Scherer (Bobbs Merrill; $2.50). Mr. Scherer, who has spent much time in Japan since 1892, gives the background for her present policy. His thesis is that the four great families and the "hidden" military strong man, Jiro Minami, are responsible for Japan's becoming a universal menace against her actual national will, needs and inclination.

BEYOND HORIZONS, by Lincoln Ellsworth (Doubleday, Doran; $3). A better than usual description of life in the regions of both poles, and of the kind of man who is not happy breathing any air less gusty and rare.

ROBBERY BY MAIL, by Karl Baarslag (Farrar and Rinehart; $2.50). A lively account of various groups of swindlers, all of whom use the U. S. mails, and of their credulous dupes who often insist on continuing to pay even after the master rogue has been found guilty and put away in stripes. By the author of "SOS to the Rescue."

## Contributors

EARL BROWDER, secretary of the Communist Party in the United States, was its candidate for President in 1936.

CHARLES A. BEARD has written numerous books and articles on history, politics and economics, of which the most recent is "The Discussion of Human Affairs."

EDITH LUCIE WEART has done work in medical chemistry in the laboratory as well as a great deal of writing and editing for scientific publications. She has published articles in The North American Review, The American Mercury and The Chemist.

THEODORE ROETHKE was educated at Michigan and Harvard Universities. As a member of the English Department at Pennsylvania State College he gives a course in verse writing.

FELICE SWADOS, a native of Buffalo and a graduate of Smith College, is studying political and labor conditions in the maritime and steel industries.

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SHAEMAS O'SHEEL is the author of "The Blossomy Bough," "The Light Feet of Goats" and other volumes of verse.

MATTHEW JOSEPHSON is the author, among other books, of biographies of Zola and Rousseau and of "The Robber Barons."

ELEANOR CLARK was associate editor with Horace Gregory of "New Letters in America."

MYRA MARINI, whose verse and prose have appeared in Poetry, Story, The New Masses and other magazines, was one of the contributors to "—And Spain Sings."

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# The Depression

## What Has Happened?
## Whose Fault Is It?
## How It May Be Explained
## What Government Can Do
## How Long It Will Last

*Articles by*

ALVIN H. HANSEN  GEORGE SOULE
J. FREDERIC DEWHURST  ARTHUR D. GAYER

*together with the assembled opinions of other leading economic authorities*

FEBRUARY 2, 1938
VOL. LXXXXIII : NO. 1209 : PART TWO

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# What Has Happened—And Whose Fault Is It?

HOT POLITICAL controversy has raged in an attempt to place the blame for the present depression. On the one hand, opponents of the administration hold the government responsible. The charges against it contain a number of counts, not all of them held by the same people. Count number one is that it has injured business confidence by failing to balance the budget, or by combating the utilities, or by encouraging labor, or by being hostile to business in other ways. Count number two is that it has discouraged investment directly through the tax on undistributed surplus and the tax on capital gains. Count number three is that the precautionary credit policies of the Federal Reserve banks have restricted business expansion. And count number four is that the cessation of deficit-spending by the government has taken the prop from under revival.

On the other hand, it is charged that monopolistic business itself is responsible, either by raising prices so high that sales and production are discouraged, or by deliberately fomenting a "strike of capital," which prevented investment in new capital goods and thus brought low the heavy industries.

Before we attempt to judge what truth there may be in any of these charges, it is well to assemble the more important facts.

## I

*Production.*—The chief test of how prosperous we are, in a real economic sense, is how much we produce. Probably the best current index of industrial production is that calculated by the Federal Reserve authorities, which includes as wide a range of products as possible and measures their output, not in money terms, but in physical qualities. This index, which takes 1923-25 as the base, or 100, stood at 119 for the year 1929. The low year of the last depression, or 1932, was 64. From that point the index gradually rose, the average for 1936 being 105. In December of 1936 the figure actually topped 1929, reaching a high of 121. The index was slightly lower, with ups and downs, during the spring and early summer of 1937. It started to fall from a high of 117 in August. In December it had reached about 83, and the index at last accounts was still dropping; its fall had been far more rapid than that in 1929. It had, however, come nowhere near the 1932 bottom. October, for instance, was the same as the middle months of 1936 and higher than the average for that year. (These figures are corrected for normal seasonal changes, the effect of which is supposed to be eliminated from them.) The recession of production, then, started in August. It has proceeded with extreme rapidity, but is still far from the depths of 1932.

If one inspects the behavior of the different industries making up this total, it will be seen that the depression has hit some of them much harder than others. Iron and steel, for instance, has been a chief sufferer, the index having fallen from 142 in August to 68 in November and still lower later. The August figure represented 84 percent of capacity; since then the industry has fallen to a point where it used only 23.5 percent of capacity. Automobiles, lumber and plate glass have also suffered severely. These are all industries making what is called "durable goods" as compared with "nondurable" goods, such as food and gasoline, the production of which has, on the average, fallen much less.

One cannot say, however, that the depression has affected only "capital goods," or those bought by business and investors, as contrasted with those bought by individual consumers. Automobiles, prominent in the "durable" group that has suffered most, are bought by individuals. The production of textile goods and shoes has also fallen sharply. Such consumers' goods are often called "semi-durable" as compared with food, because while they need to be renewed, consumers can put off their purchase for a few months.

Another important index is that of construction contracts awarded. This is in a somewhat different category from that of industrial production because it is in terms of value, and the changes of price affect it, even without changes of physical volume. The boom peak of this index was 135 in 1928; the low was 25 in 1933. By 1936 it had come back to only 55. The high of 1937 was 68 in July; from that the index has fallen to 53 in November. Even discounting the effect of price changes, it is true that construction has never really revived from the last depression. This truth is even more marked in the case of residential construction.

*Employment and Payrolls.*—We have an index of employment in factories. This reached its top in 1929 at 105 and its bottom in 1932 at 66. It gradually came back to 103 in July, 1937, and then began to sink, reaching 94 in November. Employment is always affected more slowly than produc-

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tion. The recovery of employment has never since the last depression been complete enough to reduce unemployment to the "normal" level. There remained nearly 10,000,000 unemployed even at the 1937 peak of production. It must be remembered that on account of the growth in population during the past eight years, we must produce much more than in 1929, and employ many more people, in order to reduce unemployment to the level of that year.

The index of factory payrolls—that is, the total wages paid to factory workers—was 109 in 1929 and 46 in 1932. This figure also came back, reaching 105 in May, 1937. Since then it has fallen to 89 in November. Payrolls range somewhat more widely than employment because of wage changes and part time. It will be seen roughly by comparing this index with that for employment that last spring and summer about the same number of employed factory wage-earners as in 1929 were receiving about the same amount of pay as in that year. In many cases wage rates per hour are as high as in 1929 or even higher, while hours of work have been shortened.

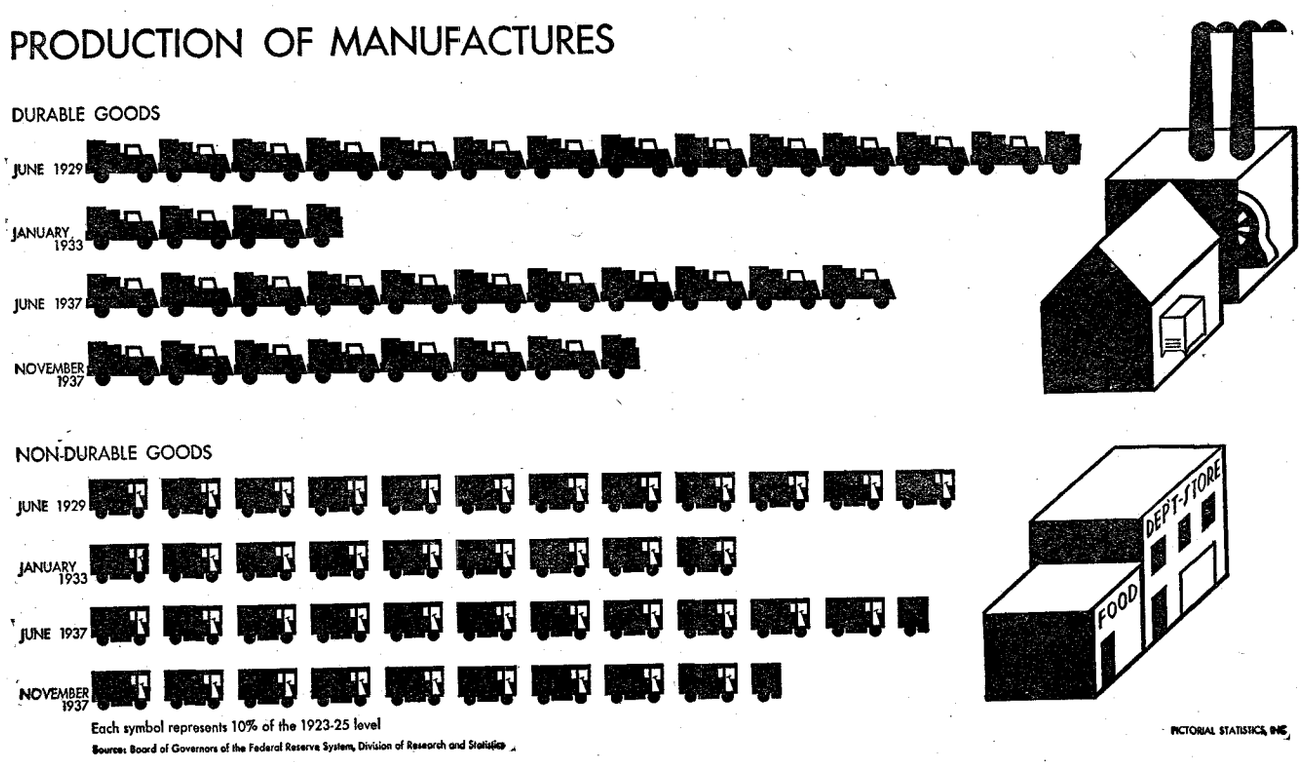
*Prices.*—Next to production, employment and wages, the most important economic factor is prices. High prices of course do not make us rich and low prices poor. But the behavior of prices casts a strong light on what happens otherwise.

The Bureau of Labor Statistics' index of wholesale prices stood at 95 in 1929 (1926 being taken as 100). It fell to 65 in 1932. Then it rose, reaching a plateau of about 80 throughout 1935 and most of 1936. But in the last quarter of 1936 it started to jump, going up to 84 in December and 88 in April of 1937. It remained almost as high through the summer, but in the fall a slow decline began. It will be seen that this jump in prices immediately preceded the beginning of the drop in industrial production.

As is usual, different kinds of prices behaved differently. The high cost of farm products and foods accounted for part of the jump noted above. This rise followed the drought of 1936. Textile prices also showed the same jump, perhaps because of the rise in the price of cotton. Textile prices began to fall again, however, in August, and have since gone back to the 1935 level. Food prices are also on the downgrade. The same bulge came in the prices of hides and leather products (including, of course, shoes).

The drought cannot be blamed, however, for the marked price rises in other important groups, such as metals and metal products, building materials, chemicals and drugs, and house-furnishing goods. All these began to shoot upward from the 1935-36 plateau in the last quarter of 1936. More remarkable still, none of them except chemicals and drugs was reduced in price when the new depression began.

It is noteworthy that whereas the general index of prices is considerably below its 1929 level—83 as compared with 95—the prices of building materials were, during most of 1937, actually higher than in 1929—and this in spite of the fact that demand for building materials was small, because of the extremely low level of building construction during the year. Steel was primarily responsible for the high prices both of building materials and the metal-products group. Other building materials, however, were held at a high level.

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## Production, Employment and Trade

(Index of Federal Reserve Board of Governors)

(Index numbers; 1923-25 average=100. The terms "adjusted" and "unadjusted" refer to adjustments for seasonal variation)

| Year and month | Industrial production* | | | Construction contracts awarded (value) | | | Factory employment | Factory payrolls | Freight-car loadings* | Department store sales* (value) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Manufactures | Minerals | Total | Residential | All other | | | | |
| | Adjusted | Adjusted | Adjusted | Adjusted | Adjusted | Adjusted | Adjusted | Unadjusted | Adjusted | Adjusted |
| 1929..... | 119 | 119 | 115 | 117 | 87 | 142 | 105 | 109 | 107 | 111 |
| 1930..... | 96 | 95 | 99 | 92 | 50 | 125 | 91 | 89 | 92 | 102 |
| 1931..... | 81 | 80 | 84 | 63 | 37 | 84 | 77 | 67 | 74 | 92 |
| 1932..... | 64 | 63 | 71 | 28 | 13 | 40 | 66 | 46 | 55 | 69 |
| 1933..... | 76 | 75 | 82 | 25 | 11 | 37 | 72 | 49 | 58 | 67 |
| 1934..... | 79 | 78 | 86 | 32 | 12 | 48 | 83 | 63 | 62 | 75 |
| 1935..... | 90 | 90 | 91 | 37 | 21 | 50 | 86 | 71 | 64 | 79 |
| 1936..... | 105 | 105 | 104 | 55 | 37 | 70 | 92 | 82 | 75 | 88 |
| 1936 | | | | | | | | | | |
| Jan. ..... | 97 | 96 | 104 | 62 | 25 | 92 | 89 | 74 | 70 | 81 |
| Feb. ..... | 94 | 92 | 111 | 52 | 25 | 75 | 87 | 74 | 71 | 83 |
| Mar. ..... | 93 | 93 | 97 | 47 | 26 | 63 | 88 | 78 | 66 | 84 |
| April ..... | 101 | 100 | 106 | 47 | 30 | 60 | 89 | 79 | 71 | 84 |
| May ..... | 101 | 101 | 102 | 46 | 32 | 57 | 90 | 81 | 72 | 87 |
| June ..... | 104 | 105 | 100 | 52 | 36 | 65 | 90 | 81 | 73 | 87 |
| July ..... | 108 | 109 | 101 | 59 | 44 | 71 | 93 | 80 | 76 | 91 |
| Aug. ..... | 108 | 110 | 99 | 62 | 46 | 75 | 93 | 84 | 76 | 86 |
| Sept. ..... | 109 | 110 | 102 | 59 | 47 | 69 | 94 | 84 | 75 | 88 |
| Oct. ..... | 110 | 111 | 105 | 57 | 43 | 69 | 94 | 89 | 77 | 90 |
| Nov. ..... | 114 | 115 | 112 | 58 | 40 | 72 | 96 | 91 | 82 | 94 |
| Dec. ..... | 121 | 121 | 117 | 66 | 45 | 83 | 99 | 95 | 83 | 92 |
| 1937 | | | | | | | | | | |
| Jan. ..... | 114 | 115 | 110 | 63 | 45 | 77 | 99 | 91 | 80 | 93 |
| Feb. ..... | 116 | 116 | 115 | 62 | 47 | 75 | 100 | 96 | 82 | 95 |
| Mar. ..... | 118 | 117 | 128 | 56 | 45 | 64 | 101 | 101 | 83 | 93 |
| April ..... | 118 | 118 | 115 | 53 | 44 | 61 | 102 | 105 | 84 | 93 |
| May ..... | 118 | 118 | 116 | 56 | 44 | 66 | 102 | 105 | 80 | 93 |
| June ..... | 114 | 114 | 114 | 61 | 42 | 77 | 101 | 103 | 78 | 93 |
| July ..... | 114 | 114 | 112 | 68 | 44 | 87 | 103 | 100 | 80 | 94 |
| Aug. ..... | 117 | 118 | 112 | 63 | 40 | 81 | 102 | 104 | 79 | 92 |
| Sept. ..... | 111 | 110 | 115 | 56 | 37 | 71 | 101 | 100 | 78 | 94 |
| Oct. ..... | 103 | 101 | 113 | 52 | 36 | 65 | 98 | 100 | 76 | 93 |
| Nov. ..... | p90 | p87 | p108 | p53 | p34 | p69 | 94 | p89 | 71 | p91 |

* Average per working day.
p Preliminary.

*Financial Factors.*—The first dramatic manifestation of the depression was the break of prices on the New York Stock Exchange. The index of industrial stock prices compiled by Standard Statistics Company reached its high this year in March at 153 (1926 being taken as 100). It fell between March and June, and then recovered, making another high of 144 in August. Then came a sharp decline, to 97 in November, at which point the drop seems to have been checked. Unless one regards the spring setback as a warning, the fall of stock prices did not precede the drop of industrial production, and certainly did not cause it. Its effect was of course to injure business confidence and make more difficult the flotation of securities for new capital.

This issue of securities by private corporations is an important item in production and employment, because the capital so raised is usually devoted, at least in some measure, to expansion of plant, which means activity in the building and metal industries. In 1929 new corporate securities—excluding those issued for refunding purposes—reached the enormous total of about $8,000,000,000. In previous years of prosperity the total had rarely been far under $5,000,000,000. But by 1933 it had sunk to a mere $160,000,000. Since then it has gradually risen, but by 1936 it had reached only $1,192,000,000, and the total in 1937 will not be much more than $1,500,000,000. Capital investment has therefore never really recovered—whatever the reason may be.

Another important financial factor is, of course, bank credit. When business cannot borrow freely, activity is limited; when it can do so, business may expand. Federal Reserve policy has a great deal to do with the ease of credit. The Federal Reserve authorities, fearing possible future inflation, some months ago required the banks to hold a larger percentage of reserves against their obligations. Did this have the effect of tightening credit? On the surface it would not seem so, since, even in December, 1937, the member banks still had $1,200,000,000 of reserves in excess of requirements. For many months the rediscount rates of the Federal Reserve banks were at the low figure of 1½ percent, with the exception of New York, which was one percent. The total loans and investments of the member banks have showed no shrinkage either before or after the onset of the depres-

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sion, if we consider only those outside of New York City, which are less affected by stock-market speculation. Though credit may be tight in certain localities or instances, it would not seem that the depression was caused by Federal Reserve policy or by a shrinkage of bank loans and investments.

*Government Fiscal Policy.*—As previously explained in The New Republic, a large source of decline in the current circulation of purchasing power may be traced to the fiscal policy of the federal government. In previous years, since the start of the depression, it has been spending much more than it received back in taxes. This year, on the contrary, because of the expected decrease in the deficit and the addition of receipts from social-security taxes, it is receiving as much as it is spending. A calculation by Professor Arthur D. Gayer, one of the authorities in this field, estimates that the government contributed to the national income between three and four billion dollars a year in 1934, 1935 and 1936, whereas now it is contributing nothing.

## II

Now we are in a better position to discuss the charges and counter-charges which attempt to locate the blame for the depression.

First, it must be observed that the ups and downs of the business cycle have been with us for many years and are a regular phenomenon of modern capitalism. The behavior of the business cycle is an extremely complex affair, and many elements have to be considered in guessing why it did what it did at any particular time. People who assume that we should always be prosperous unless some villain upset the applecart are reckoning without economic science. Crude charges against either government or business are therefore ruled out of intelligent discussion.

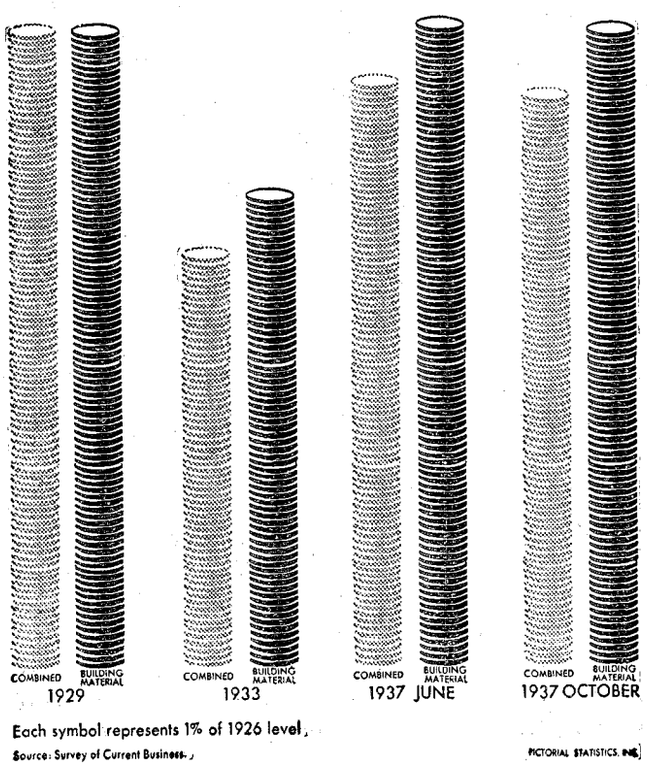
This does not mean, however, that the behavior of our order is automatic and unalterable, and that sources of friction and unbalance may not be located.

Did the administration bring on the depression by injuring business confidence? This is impossible to know without examining the minds of thousands of business men, and finding out what they did as a result of what was in their minds. We may observe, however, that everything the administration stood for did not prevent a spirited revival between 1933 and 1937. It is possible that the lag in new capital issues and investment—which did revive somewhat but not entirely—was due in part to worry about the budget or other New Deal policies. It is also possible, however, that industrial capacity had been so increased by more efficient methods and machinery that no more investment was needed to satisfy prospective demands by consumers. We know, too, that in important fields like railroads and utility holding companies, top-heavy capitalization makes it difficult to attract new money. We may finally observe that all the careful fostering of business confidence by Messrs. Coolidge, Mellon and Hoover did not prevent the greatest depression of history, beginning in 1929.

Did the tax on undistributed surplus curb investment made directly out of profits? No good figures are yet available to indicate whether it did or not. There is a difference of opinion about this matter among authorities. But even if it did, this alone can hardly have caused the depression. As for the tax on capital gains, that has been a part of the income-tax system for years, and can have had little cyclical effect. We have lived through several periods of prosperity with it, as well as through several depressions.

On the third count, the government can almost surely be acquitted. There is no good evidence that credit stringency produced the depression.

On the fourth, some blame—but not the whole—can certainly be assigned to government. The reduction of the deficit, plus the addition of social-security taxes, put a definite end to "pump-priming." This can hardly have failed to diminish general activity. We should remember, however, that such a reduction is to be expected some time; it must come eventually if the government is not to go bankrupt. It would not be harmful if private business were expanding sufficiently at the same time. Government spending based on borrowing can be only a temporary alleviation of the deficiencies of private capitalist economy. The ultimate blame in this case may therefore be passed back to other factors—except for the timing of the retrenchment. Even here, those who criticize the

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## Wholesale Prices, by Groups of Commodities

(Index of Bureau of Labor Statistics. 1926 = 100)

| Year or month | All commodities | Farm products | Foods | Other commodities: Hides and leather products | Textile products | Fuel, lighting materials | Metals and metal products | Building materials | Chemicals and drugs | House-furnishing goods | Miscellaneous |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1929..... | 95.3 | 104.9 | 99.9 | 109.1 | 90.4 | 83.0 | 100.5 | 95.4 | 94.2 | 94.3 | 82.6 |
| 1930..... | 86.4 | 88.3 | 90.5 | 100.0 | 80.3 | 78.5 | 92.1 | 89.9 | 89.1 | 92.7 | 77.7 |
| 1931..... | 73.0 | 64.8 | 74.6 | 86.1 | 66.3 | 67.5 | 84.5 | 79.2 | 79.3 | 84.9 | 69.8 |
| 1932..... | 64.8 | 48.2 | 61.0 | 72.9 | 54.9 | 70.3 | 80.2 | 71.4 | 73.5 | 75.1 | 64.4 |
| 1933..... | 65.9 | 51.4 | 60.5 | 80.9 | 64.8 | 66.3 | 79.8 | 77.0 | 72.6 | 75.8 | 62.5 |
| 1934..... | 74.9 | 65.3 | 70.5 | 86.6 | 72.9 | 73.3 | 86.9 | 86.2 | 75.9 | 81.5 | 69.7 |
| 1935..... | 80.0 | 78.8 | 83.7 | 89.6 | 70.9 | 73.5 | 86.4 | 85.3 | 80.5 | 80.6 | 68.3 |
| 1936..... | 80.8 | 80.9 | 82.1 | 95.4 | 71.5 | 76.2 | 87.0 | 86.7 | 80.4 | 81.7 | 70.5 |
| 1937—Jan. .... | 85.9 | 91.3 | 87.1 | 101.7 | 77.5 | 76.6 | 90.9 | 91.3 | 87.7 | 86.5 | 76.2 |
| Feb. .... | 86.3 | 91.4 | 87.0 | 102.7 | 77.5 | 76.8 | 91.7 | 93.3 | 87.8 | 87.9 | 77.3 |
| March .. | 87.8 | 94.1 | 87.5 | 104.2 | 78.3 | 76.2 | 96.0 | 95.9 | 87.5 | 88.4 | 79.5 |
| April ... | 88.0 | 92.2 | 85.5 | 106.3 | 79.5 | 76.8 | 96.5 | 96.7 | 86.9 | 89.0 | 81.1 |
| May .... | 87.4 | 89.8 | 84.2 | 106.7 | 78.7 | 77.2 | 95.8 | 97.2 | 84.5 | 89.3 | 80.5 |
| June ... | 87.2 | 88.5 | 84.7 | 106.4 | 78.2 | 77.5 | 95.9 | 96.9 | 83.6 | 89.5 | 79.4 |
| July .... | 87.9 | 89.3 | 86.2 | 106.7 | 78.3 | 78.1 | 96.1 | 96.7 | 83.9 | 89.7 | 79.0 |
| Aug. ... | 87.5 | 86.4 | 86.7 | 108.1 | 77.1 | 78.4 | 97.0 | 96.3 | 82.2 | 91.1 | 77.3 |
| Sept. ... | 87.4 | 85.9 | 88.0 | 107.6 | 75.3 | 78.7 | 97.1 | 96.2 | 81.4 | 91.1 | 77.0 |
| Oct. .... | 85.4 | 80.4 | 85.5 | 106.7 | 73.5 | 78.5 | 96.4 | 95.4 | 81.2 | 91.0 | 76.2 |

government most severely on counts one and two have no logical cause for complaint.

Now let us examine the charges against business. The figures show without question that prices of steel and building materials were already in 1936 higher than most other prices, in relation to the 1929 level, that they rose rapidly just before the depression began, and that they have since been held at a high point. These prices are subject to monopolistic control. It is reasonable to assume that these high prices have discouraged investment in industrial plant and buildings, as well as in other types of construction. The figures prove that investment and building construction have never really recovered since 1932. High prices for products controlled by monopolies or quasi-monopolies are probably responsible, at least in part, for the lack of a more marked and stable recovery than occurred.

Do these high prices also account for the downturn in the summer of 1937? A case may be made for this contention. When prices of materials began to rise a year ago, business men laid in stocks, fearing still higher prices. This was a temporary stimulus to activity. But of course inventories cannot be piled up indefinitely, and therefore orders for basic materials fell off sharply later. It is also true that increased prices of basic materials contributed to increases in the prices of 1938 automobile models, and that the sale of new cars has fallen.

But the figures also indicate that monopolies are not alone responsible. The prices of farm products, foods, textiles and shoes also rose, and these industries are not, on the whole, subject to monopoly control. The high prices of textiles and shoes may have led to the temporary curtailment of buying in these fields. Here the high prices may be traced back, in part at least, to the drought.

The business alibi for higher prices is that they are due to increases of wages and reductions of hours consequent upon the tide of labor organization that swept the country last year. But the case is not proved. On the other side may be cited the following arguments: (1) price increases occurred on account of the shortage of supply in relation to demand, in fields where no great increase in labor costs occurred—as in foods, textiles and raw materials; (2) under these conditions price advances would have come anyway in steel and other heavy industries, even without increases in labor costs; (3) a study cited by Assistant Attorney General Robert H. Jackson indicates that the price increases in steel were "three times as great as necessary to cover the increased wages paid to steel workers and at least twice the amount necessary to cover the increase in cost of both labor and raw materials during the same period"; (4) if production were expanded sufficiently it would be possible for most industries to operate profitably with higher wage rates and lower prices, because of the economies of fully used capacity.

How about the charge that capital is engaged in a strike to win concessions from government? That is difficult to prove. The important point about the charge is that business and financial spokesmen talk as if it were true. "Why should I risk my capital if the government is going to take a large share of my profits in taxes, or force me to recognize unions, or enter into competition with me?"—that is the substance of what many "economic royalists" have been saying. The press is full of advice to the effect that government should "conciliate" business, because otherwise business will not expand its activities. All such statements sound as if capitalists and business men could choose whether or not to put their capital to work, and as if their choice depended on how well government treated them. The only logical inference is that they deliberately brought on the depression, that they could end it if they wanted to, and that they will consent to do so

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only if they can win concessions. If that is not a strike, I do not know what a strike is.

It is probable, however, that in the main all this talk is mere bluff. The business propaganda is doing business an injustice in this respect. However the owners of capital may grumble, they will invest if they think they see a chance of profit plus a reasonable assurance of safety. And it is by no means true, either, that what government has done has diminished their profits and safety, or that the concessions they want would so change conditions as to increase their inclination to invest. In order to see why this is so, it is only necessary to imagine what might have happened in the spring of 1933 and thereafter if the Hoover-Mellon policy of deference to the expressed wishes of business and capital had continued.

Blame for the depression cannot be placed exclusively either on government or on business. Neither can the cause be traced exclusively to a single factor for which a particular group is responsible. In a broader sense, the true blame rests upon all those who do not do their best to understand how the economic order behaves and what its faults are, and particularly upon those who oppose the use of such understanding in a planned and concerted effort to produce stable abundance—an effort that would take into consideration all relevant factors.

If business had been engaged in such an effort, the monopolistic price increases which did damage might not have occurred. There was plenty of warning about these prices from informed sources. If government had been engaged in such an effort, it would either have attempted to control them in time, or it would have so managed its own fiscal policies as not to add to the damage done by monopolistic business. These things could have been done even on the basis of knowledge that is now common property. We probably cannot abolish the business cycle without a fairly complete renovation of our economic and political structure, but we could, without drastic changes, avoid a few of the more egregious errors.

This introductory article has not attempted to analyze the causes of the depression, except so far as to see whether blame can justly be apportioned. In order to provide a fuller understanding of what happened, Professor Alvin H. Hansen of Harvard University has been asked, in the following article, to discuss the depression in the light of business-cycle theory. GEORGE SOULE.

# What Causes a Business Downturn?

THE NATIONAL income from moment to moment is determined by the volume of consumption and investment expenditures. An increase in consumption purchases will stimulate investment expenditures and, similarly, an increase in investment, via the increase in employment, lifts to higher levels the prevailing volume of consumption. Thus, a recovery consists of a cumulative process in which consumption and investment interact to produce an expansion of income, output and employment.

Looking back over the history of cycles, one finds that the process of expansion has not infrequently continued until substantially full employment was reached, or even until a prolonged period of full prosperity had run its course, while others have stopped short of this goal. Some turning points have been so mild and gentle that they have scarcely been noticed by the general population, and indeed not definitely established by the specialist until after the event. Some, while long anticipated, nevertheless came at an unexpected moment, while others have stolen upon us like a thief in the night, inaugurating with dramatic swiftness a violent change in business expectations.

Why should not a given level of prosperity at least maintain itself? What is more reasonable than to suppose that income earned today should be spent tomorrow, thus giving rise to new incomes of equal magnitude the day after? Such, indeed, is the experience of poor and primitive countries. Only rich countries suffer violent fluctuations in income. Rich countries spend a large fraction of their income on investment goods, the purchases of which may be postponed without affecting appreciably the current consumption of the individuals so acting. Thus a sudden and drastic decline may occur in the volume of expenditures, and so of the income, of modern communities.

The business cycle is in essence a fluctuation in investment expenditures on inventories, fixed plant and equipment and building structures of all sorts. Historically one notes recessions that may be characterized mainly as inventory recessions. Recessions of this type may be sharp, but they are usually short-lived. In some months the excessive inventories are used up, productive activity recovers, and so industry again moves forward. More serious depressions usually involve a marked decline in new investment in the fixed plant and equipment of manufacturing establishments, railroads and public utilities, and in commercial and residential construction.

Inventory recessions are likely to follow a spurt in the accumulation of commodity stocks resulting from price inflation or the anticipation of a rapid rise in costs. Support for this theory as an explanation of the current recession can be found in the sharp advances in raw-material prices and in wage

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rates toward the close of 1936, and in the ensuing rise in inventories and forward orders. Those who stress these factors are likely to be rather optimistic about an early resumption of recovery.

Some writers find the causes of recession in a contraction of bank loans and investments and a consequent decline in the volume and velocity of turnover of deposits. Expansion is indeed sometimes checked owing to the inability of banks to continue to loan freely to customers or to place funds in the investment market through the purchase of securities. A policy of contraction may be forced upon banks by action of the central banking authority. Such action might take the form of reduction of member-bank reserves through open-market operations, raising the rediscount rate or raising the reserve requirements.

This theory has also its adherents in explanations of the current recession. The reserve ratios were doubled in 1936 and early 1937. While this action still left large surplus reserves in the system as a whole, some banks felt pinched, especially in New York and Chicago. Moreover, since banks, rightly or wrongly, are still determined to maintain a highly liquid position, fairly large surplus reserves may not accurately measure the freedom or willingness of banks to make loans and investments.

There is, however, little evidence of actual contraction. While the investments of member banks declined by $1,263,000,000 in the twelve-month period ending June 30, 1937,[1] loans increased by $1,743,000,000. This represents a net gain of $480,000,000 of total loans and investments[2] compared with a net gain of $3,373,000 in the previous year. At most it could perhaps be argued that the so-called "restrictive" action had slowed down the expansion of member-bank credit, though various satisfactory reasons, having no relation to the raising of the reserve ratio, could be given for this slowing-down process.

A narrowing of the profit margin is an important reason assigned for the periodic decline in investment expenditures. Once reasonably full employment of resources is reached, costs of labor and materials are likely to rise sharply and encroach on profits.

Factory hourly earnings[3] and raw-material prices suddenly shot up in late 1936 and early 1937 in a spectacular manner, not unlike the increase which occurred in 1933 under the influence of the NRA. But the latter increase could be regarded as a corrective of the drastic 1931-32 decline, while the 1936-37 wage upheaval carried hourly earnings 15 to 20 percent above the pre-depression level. Simultaneously, profits, which had been rapidly rising, flattened out,[1] but appear not to have declined until the recession actually set in. In residential construction, however, the sharp increase in costs definitely cut into the prospective profit rate of speculative builders.

Inadequate supply of investment funds holds an important place as a cause of the turning point in some cycle theories. This condition may apply to the entire capital market, or in certain special circumstances it may be present only in certain sectors. It is possible that funds are plentiful in the short-term market and in gilt-edge securities, while new issues of common stock and of medium and low-grade bonds cannot find buyers on satisfactory terms. Risk and uncertainty block the investment outlets, however plentiful the available fund of savings and of banking resources may be. Shelter is sought in hoards of gold (where legal), cash or deposits, and in less extreme cases in such relatively safe and liquid assets as government securities. This latter tendency is further intensified if government obligations enjoy tax exemption while extremely high surtax rates apply to income from other securities. Thus a "poverty" of new issues may persist side by side with a "plenty" of funds seeking investment. In these circumstances, the interest-rate structure will reveal at the same moment, paradoxical as it may seem, both a scarcity of capital supply and an excess of savings.

Not infrequently, especially in the case of major depressions, the turning point is reached following a rapid spurt in the construction of fixed capital in excess of the normal secular rate of growth. A backlog of shortages may have accumulated in residential dwellings, apartment houses, office buildings, hotels, factory plant and equipment. Technological developments may have induced a burst of investment in new forms of capital goods. Progress in technique and capital formation, as noted especially by Spiethoff, Robertson and Schumpeter, could hardly in a free-enterprise economy take place except by jerks. Moreover, in the optimism engendered by the advance, mistaken business judgments are likely to carry the new investment farther than is justified. But whether mistakes are made or not, once the new capital requirements are met, it is only necessary to provide, by upkeep and replacement, for their maintenance. Thus there ensues a rapid decline in investment expenditures.

It is, I believe, universally agreed that the above-noted cause of recession, so frequently encountered in the past, has played no part in the current situation. There is no evidence that we were approaching a "saturation point" in fixed capital formation.

A decline, or at any rate a slowing down, in consumer demand occupies an important place in cycle theory as a determinant of the downturn. Here we encounter the much discussed "principle of acceleration." If new investment in plant and equipment has been closely geared to the immediate require-

[1] The holdings of government obligations in the entire banking system, including member and non-member banks of every description and also the twelve Federal Reserve Banks, declined only $175,000,000 in the year ending June 30, 1937.

[2] For all banks, member and non-member, total loans and investments increased $1,238,000,000 in the year ending June 30, 1937.

[3] See Monthly Review, Federal Reserve Bank of New York, September, 1937.

[1] See index of profits of 168 industrial and mercantile corporations, *ibid.*, December 1, 1937.

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ments of consumption—the spirit of enterprise having lost its daring—a marked tapering off in consumer demand will very probably result in an absolute decline in the output of the basic industries. So long as consumption is rising, new plant and equipment are required, but once consumption expenditures flatten out, one needs only to maintain the stock of producers' capital already built.

The above analysis applies peculiarly to the present recession.[1] The recovery was a "consumption recovery." The upswing moved forward under the stimulus of an expanding consumer demand fed by (a) consumers' instalment credit supporting purchases of automobiles and other durable consumers' goods, and (b) governmental expenditures. The recovery, many believe, ceased when these two stimuli played out. Business had refused to make forward commitments beyond immediate requirements, and when consumption tapered off, new investment was no longer urgent. "Consumption," says the December, 1937, Federal Reserve Bulletin, "was maintained." True! But the villain in the piece may nevertheless have been consumption. For when consumption ceased rising, investment declined.

On the Continent, economists have commonly used, in lieu of the term "business-cycle," the word *"Konjunktur."* Peculiarly, in the year 1937 a conjuncture of circumstances, partly accidental, combined to produce the recession. Yet it is striking how many of the leading causes of recessions, commonly outlined in cycle theory, are exemplified in the current downturn.

ALVIN H. HANSEN.

# What Can the Government Do?

SPENDING by the federal government should now be increased, because it will have to be. This opinion is offered not on the theory that government spending will speed us out of the new depression, but in view of the fact that because the season of greatest need is approaching and the cyclical need for unemployment relief has increased, increased spending, in my judgment, will be unavoidable.

The federal government should now raise money to meet its expenditures to a larger extent by taxation. Here again this opinion must be explained. What I have in mind is increased taxation by way of the income tax, so that the tax burden on persons of low income will not be increased. What is not fully realized about the present situation is that in spite of all the talk about an unbalanced budget, the federal government is now operating with a current surplus so far as cash account is concerned. This is due to the effect of the social-security taxes, which are now taking about four percent of the payrolls in covered industries, and next year will take about five percent. Thus we have the anomaly of a "paper deficit" but an actual surplus—a situation that arises from the fact that current receipts from the payroll tax are being offset by credits to trust accounts and to the old-age-reserve account. So far as borrowing in the open market or from the banks is concerned, however, the budget is now balanced and a current surplus is being created. When it is considered that this drastic change in flow of income to and from the wage-earning group has occurred during the past two years, and chiefly during the past eight or ten months, some of the reasons for the present recession become apparent.

The federal budget for the next fiscal year (1938-39) should be balanced. This opinion should be read in terms of the preceding paragraph. My own feeling is that payroll taxes should be lightened and income taxes increased, with a lowering of exemptions, and with increases applied to the middle income groups.

The tax on undistributed surplus should be modified, so that expenditures for plant expansion and repayment of debts, and within limits, for accumulation of cash surpluses, should be permitted.

The tax on capital gains should be modified by reducing the rate to the point where taxes on capital gains would be imposed at half the rate imposed on the individual's "other income."

The federal income tax should be modified by reducing the exemption, and by increasing rates in the lower and middle brackets. It should be clearly understood that in making this recommendation I am not advocating "soak the poor" taxes. With our present exemptions, which result in the imposition of income taxes on only three or four million families, it is misleading to speak of lower, middle and upper brackets. All of these three or four million are in the upper brackets when the general distribution of family income in the United States is considered. The families paying income taxes are not much more than 10 percent of the total number of some thirty million families in the United States. Lowering the exemption so drastically as to tax all single persons with more than $500 a year annual income, married couples with more than $1,000, and permitting only $200 exemption for children, would still leave more than half of all the families in the country exempt from income taxes. It would, however, have the effect of making ten or twelve million families tax-conscious, instead of only three million as at present. Furthermore, these middle-income groups, *i.e.*, between $1,200 or $1,500 and $100,000 a year, are the richest source of addi-

[1] See my paper in the Proceedings of the Academy of Political Science, January, 1938.

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tional tax revenue. The gold is in the foothills, not in the mountains.

Wages should be reduced in certain cases, notably in the building trades, in other branches of the heavy industries and, in my opinion, in the railroads. Here of course I refer to hourly rates, not annual income, for I believe that reductions would frequently result in increased volume of business and higher annual incomes.

Prices should be reduced in special cases, chiefly in fabricated capital and consumer goods, but here it should be recognized that such reductions cannot be brought about without reductions in labor costs. The more complex and highly fabricated the product or service, the larger the proportion of labor cost, and the rigidity of certain prices as compared with others, such as farm products, is due largely to the rigidity of labor costs. In the farmer, the entrepreneur and laborer are merged. The farmer takes his wage plus his profit in terms of net return, without any specified wage rate. This, coupled with the fact that farm products generally meet with an inelastic demand, accounts for the extreme variability in these prices.

Federal Reserve policy should now loosen credit, chiefly because there was little justification for its being tightened early last year. Actually the tightening of credit was little more than shadow boxing, just as the loosening of credit now would be little more than shadow boxing, but in view of the psychological effects of the shadow boxing early last year, we should probably go through the reverse procedure now in the hope that the psychological effects will be helpful.

The dollar should now be left unchanged in gold content.

Return to revival will be injured by agricultural legislation of the general type desired by Secretary Wallace. In general, I do not object *per se* to the payment of subsidies to special groups in the population; that seems to have become an accepted feature of our economy. What I do object to is using a subsidy to diminish the stream of real income from which all subsidies have to be paid. Return to revival will be injured by this type of legislation, not because income will be diverted from one group in the population, the urban dweller, to another, the farmer, but because the diversion will be used to diminish further their real income (*i.e.,* the buying power of urban workers' wages) so that they will have to pay more for foods and will have less money available for purchase of industrial products. In the long run, and possibly also in the short run, in view of the current pressure of a rising cost of living, such a policy cannot be anything but harmful.

In view of the fact that our economy is really a politico-economy involving an important element of group subsidy, I believe railroad rates should be increased sufficiently, and, if possible, financial reorganization of railroads should be accelerated, so that the railroads may again and promptly enter the market for heavy equipment. If other measures fail, there is no reason why the government itself should not, by arrangement with the railroads, place orders for needed rolling stock and equipment, and lease them to the railroads at such rates as they can pay. Whatever may happen to the railroads financially, there can be no doubt that physically they must remain as a part of our geography and our economy. Whether they remain in private hands or are taken over now or eventually by the government, there can be no real economic loss involved in supplying them with new equipment which is needed at the present time.

In the case of utilities, new orders for heavy equipment will be forthcoming if the limits of government competition are clearly established. It is not necessary for the government to give the utilities a "clear road ahead" in the sense of adopting a complete hands-off policy. What is needed is settlement of the TVA situation, and a clear definition of the limits to which government construction of generating equipment will be confined, for say the next ten years; also, if possible, a formulation of government policy as to the distribution of government-generated electricity.

I believe that one of the most serious factors in the tax situation, which has not been mentioned with all the hullabaloo about the undistributed-profits and capital-gains taxes, is the payroll taxes. Next year these will be taking a slice of five percent out of the payroll level of the low-income classes. Whether the employer or the employee pays the tax in the first instance makes little difference. Its ultimate incidence is on wage-earners, who are ready spenders, and even though they are not aware of it, this results in a reduction of income at that level. These taxes should be reduced. The old-age-pension tax could be cut in half, and the unemployment-insurance tax kept at two percent of payrolls, instead of rising to three percent, with full recognition of the fact that two percent of payrolls will not permit so long a period of benefit payments as would three percent.

The present depression will probably reduce production and employment less than that of 1929-33. My guess is that the depression of 1920-22 will set the outer limit to the severity and duration of this depression, and that the pattern may be closer to the 1923-24 recession, but of course that is only a guess.

The present depression is likely to give way to revival in the last six months of 1938, but the revival will probably not become apparent until the fall of 1938. In my judgment, no one can do more than guess as to the timing of recovery. There is a possibility that the 1938 spring recovery will be the beginning of more or less sustained revival, but it seems to me more likely that this recovery will prove abortive, and that real recovery will not be initiated until the fall of 1938. On the other hand, the possibility that the depression will last much longer than that cannot be dismissed.

J. Frederic Dewhurst.

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# Economic Authorities Discuss the Depression

WHAT SHOULD be done in view of the depression?

How severe will it be?

How long will it last?

In an effort to discover the drift of opinion among professional economists about these questions, The New Republic wrote a small, selected list of authorities inviting them to express their views. The names were chosen mainly with two objects in mind: first, to include scholars who are students of the business cycle; second, to sample varying types of economic doctrine in order to render the replies to some degree representative of responsible economic opinion as a whole. The replies, of course, are concerned not with matters of scientific fact but with recommendations of policy and with prediction. It was recognized that no serious student would be willing to do more than register his leanings in such matters, and it is noteworthy that these authorities were much more modest about their ability to throw light on the problem than politicians, business men and popular writers usually are. Indeed, some of those best qualified to advise felt incompetent to answer at all. A good deal of disagreement was of course manifested in the replies, as well as some significant agreement. What follows should therefore not be regarded as in any sense a manifesto or a joint statement for which any individual replying can be held responsible. But it does throw considerable light on the questions at issue.

Those who contributed the opinions discussed below are:

J. M. Clark, Columbia University;
J. Frederic Dewhurst, Twentieth Century Fund;
Paul H. Douglas, University of Chicago;
Arthur D. Gayer, Columbia University;
Walton H. Hamilton, Yale University;
Alvin H. Hansen, Harvard University;
Alvin Johnson, New School for Social Research;
Frederic C. Mills, National Bureau of Economic Research;
Broadus Mitchell, Johns Hopkins University;
E. G. Nourse, Brookings Institution;
Ernest Minor Patterson, University of Pennsylvania.
Horace Taylor, Columbia University.

## 1. Governmental Fiscal Policy.

One of the most important fields of depression policy is of course concerned with government spending, borrowing and taxation. This is usually discussed in the oversimplified terms of whether the budget should be balanced, or else in reference to particular measures singled out for attention, like the undistributed-profits tax. Our questionnaire attempted to elicit a more integrated view of the problem.

The bulk of opinion was to the effect that government spending should now be increased. A few thought it should be unaltered, while a small minority favored immediate retrenchment. As would be expected in view of the vote for government spending, most of those who replied believed that the budget must remain unbalanced in the fiscal year 1938-39. Some regarded this as an unwelcome necessity; others thought the borrowing was a depression policy in itself. None of course would favor a budget continually unbalanced in prosperity as well as depression. The economists were about evenly divided among the three possible positions—first, that the necessary money should be raised to a larger extent than in the recent past by borrowing; second, that it should be raised to larger extent by taxation; and, third, that the proportions should remain about the same.

It does not follow, however, that no increases in taxes were favored, even by those who believed in larger borrowing. On the contrary, with a single exception, all those who replied voted for increasing federal income taxes. The largest number thought the rates should be increased in the middle brackets, while a majority were for reducing the exemption as well, and about half favored increases in the lower brackets. Four wanted increases in the upper brackets, but others pointed out that it would be difficult to collect any more money by this means. Only one was for decreasing rates in the upper brackets. Those who advocated broadening the income-tax base were almost unanimously of the opinion that indirect taxes—such as sales taxes or payroll taxes—bearing most heavily on the poor, should at the same time be reduced.

On the controversial question of the undistributed-profits tax, only two favored its repeal and one its retention in the present form. The rest were for modification to favor small business or to encourage debt retirement or, in one or two cases, to exempt investment in new plant. An even more striking approach to unanimity was revealed in reference to the tax on capital gains. None favored its repeal. Three would leave it in its present form, while the rest wanted minor modifications. Apparently the economists do not believe that either of these taxes on profits played a large part in causing the depression.

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2. Wages and Prices.

Since a good deal of the discussion of the depression has placed the blame on high wages or prices, the economists' opinion on these points is of special interest.

There was not a single vote for general reduction of wages. There was one vote for a general increase, and two votes for leaving wages unchanged. A large majority favored reduction of wages in special cases, specifying mainly the building trades. One or two thought reductions ought to be made in railroads, or in cases where hourly rates were higher than in 1929. A number expressed what was undoubtedly the general opinion, that, in favoring reduction of wage rates in these cases, they expected a larger yearly income for the labor in question through more employment. Some made the vote for reductions in the building trades conditional upon reductions of prices by the employers, or upon a guarantee of more employment and larger yearly wage income.

Two economists favored wage increases in certain cases—those now below subsistence levels, which would be affected by minimum-wage laws.

No votes were registered for a general increase of prices, and none for unchanged prices. The economists were unanimous for price reduction in some form or other, though only two wanted prices generally reduced. Three voted for reductions on capital goods mainly, and two on consumers' goods mainly. Most of the authorities, however, favored reductions in special instances, such as building materials, steel and other goods controlled by monopolies, and on products in which technical progress had lowered production cost. Two, including one of the foremost authorities on prices, voted also for price increases in certain cases, such as farm products and other primary materials. There was a strong feeling, apparently, not that prices were either too low or too high as a whole, but rather that there were internal maladjustments in the price structure.

3. Credit and Currency.

The economists were almost evenly divided as to whether Federal Reserve policy should remain unchanged or should now act to ease credit. None favored tightening of credit.

It is significant that the one point on which the authorities were completely unanimous, without any reservations, was the gold content of the dollar. All believed it should remain unchanged, without revaluation either up or down.

4. Agricultural Policy.

The question was asked whether agricultural legislation of the type favored by Secretary Wallace would help recovery, or injure it, or fail to affect it. On this question the economists were extremely uncertain. A bare minority thought recovery would be injured by the new measures. A majority thought that it would help recovery or would not affect it.

5. Other Measures.

The economists were invited to make comments and offer specific suggestions for a governmental depression policy in fields not covered by the questionnaire. A number of those who did so advocated either a reduction of social-security taxes so that the scheme would be put on a pay-as-you-go basis or, if this were not done, the spending of the reserve fund to construct housing.

A number also called attention to the importance of the railroad problem, one advocating acquisition of the railroads by the government according to the plan of Interstate Commerce Commissioner Joseph Eastman, and another urging rationalization and unification.

A big housing program was suggested, apart from use of social-security funds, conditional upon reduction of the costs of building by owners of real estate, suppliers of material, contractors and skilled labor.

More general suggestions included coöperation between government and business so that both parties might understand what might be expected and lay plans accordingly. One such suggestion advocated an agreement that whatever labor business cannot employ should be employed by government, at whatever increase in the public debt. Another proposed governmental stimulus to private investment in the form of guarantees to loans. Stabilization of labor relations and a definite understanding on the utilities issue were also suggested. The importance of doing something about reducing monopoly prices was stressed in the comments as well as in the direct answers to the questionnaire.

Several of those who replied spoke of the difference between what should be recommended in the emergency and what would be best for a long-time policy. This was applied especially to budgetary policy and to reassurance of business men.

One of the more philosophical of the economists explained his difficulty in proposing specific measures by a comment to the effect that our present institutions are not well adapted for the task of conscious control. "The bother is," he wrote, "that the financial instruments which we have contrived—and which are only instruments of social policy—are outmoded. They create values of their own that tend to become ends and to obscure the social objectives which public policy should serve. The great need is to reorganize the obsolete character of many of our financial arrangements and replace them by devices and procedures of public policy which will better serve the purpose."

6. The Future.

The economists were unanimous in the opinion that this depression will not be so severe as that beginning in 1929. All but one thought that revival would begin in 1938. Slightly more than half believed it would begin in the last six months; the others that it would begin before June.

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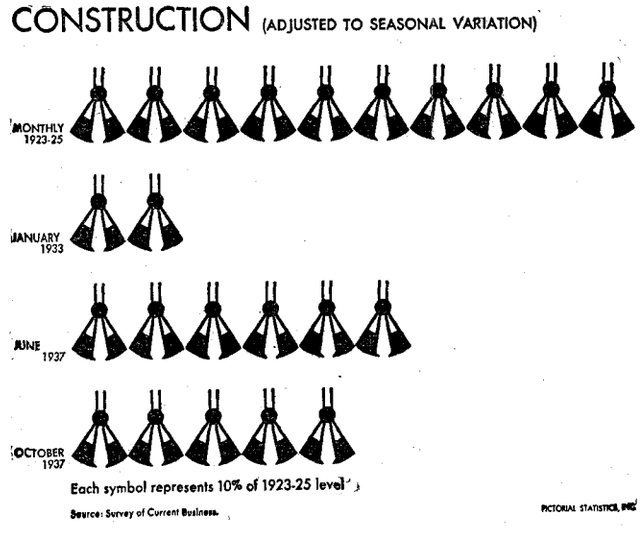
# What Is Ahead?

IS IT 1929-33 again? In other words, how deep will the depression go and how long will it last? It would take a bold, not to say foolhardy, individual to venture a confident prediction in such matters. But at least the various forces at work can be weighed.[1]

On balance, informed opinion tends to the point of view that the present depression is likely to be a short one, and that a reversal of the downward trend is probable during 1938. This prediction is necessarily hedged with many reservations for, as has been said by so eminent a student of the business cycle as Professor John Maurice Clark, "It is never possible to predict with accuracy either how far a current movement will go or when it will come to an end." In the present situation an appraisal of probable future business conditions is subject to even greater uncertainty than the underlying economic data impose, because of the prevalent hostility between business and the government. As long as this mutual distrust lasts, there is little basis for evaluating the prospects of *enduring* recovery within a short space of time.

## II

Of the two questions posed above—regarding respectively the probable depth and duration of the depression—the first should be the easier to answer. Unless the situation is grossly mismanaged or unless some powerfully adverse factor unforeseeable today supervenes, such as a European war—which would call off all bets—the present slump should not proceed to the extreme of the 1929-33 debacle. This for two main reasons: the stage is not set today for such a relapse; and the situation *was* grossly mismanaged in 1929-33, in a way not likely to be repeated.




Much of the great depression was deliberately self-inflicted in the United States, in mistaken devotion to the gold-standard fetish and financial purism. At the outset, its severity was aggravated by the restrictive credit policies simultaneously pursued by New York and London; while its second phase, that between the sterling bloc's departure from gold in September, 1931, and our own in March, 1933, was a period of purely destructive, avoidable, deflation. In every country which abandoned gold, whether by luck or design, and the restrictive policies the gold standard necessitated, the decline was halted in 1931; in those which clung to gold the depression grew progressively worse. That particular factor is wholly absent today. A loss of gold on our part is rather to be welcomed.

With respect to the other consideration mentioned above, namely, the difference in basic underlying conditions, what reasons are there for believing that the present depression will be neither so serious nor so prolonged? A backward glance at our economy in 1929 reveals basic maladjustments then existing which do not confront us today, so that in these respects we are at present in a stronger position. In comparison with 1929, our banking system is liquid and sound. Credit in general is plentiful, though there are spots where stringency obtains. Interest rates are low. The money supply is as large as in 1929, despite the much lower level of prices. The inflation of security prices and speculative credit has not been of comparable magnitude. Between 1924 and 1929 stock prices rose 200 percent; between 1932 and 1937, 45 percent. In September, 1929, they stood at 204, in March, 1937, at 128. The corresponding figures for brokers' loans were $8,000,000,000 and $1,000,000,000. From 1924 to 1929 new corporate security issues, exclusive of refunding, ranged between $3,300,000,000 and $8,600,000,000 annually, from 1933 to 1937 only between $160,000,000 and $1,200,000,000 (in 1936 and 1937). The large-scale plant expansion of the period culminating in 1929 stands in marked contrast to the lagging investment that has characterized the entire recovery period since 1933. Far from overinvestment having taken place, we have been running behind normal requirements in construction and capital-goods formation. Investment in recent months has been largely in inventories. In this respect the post-war boom affords a closer resemblance. On that occasion the subsequent drop in prices and activity proved violent but relatively short-lived.

[1] In preparing this article I am much indebted for help to my assistants, Ernst Döblin, Anna Jacobson and Isaiah Finkelstein.

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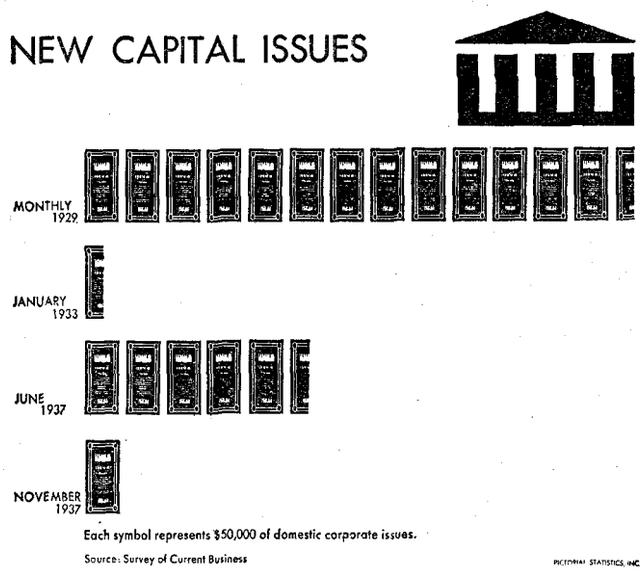
*The Unprecedented Decline.*—A glance at history is encouraging, for what it is worth. For as long a period as reliable figures are available, business activity during no depression has ever dropped more than 20-25 percent below "normal," except in the 1929 crisis. The Federal Reserve Board index of industrial production for December, 1937, at 83 had already dipped virtually that amount. A fall of around 30 percent in four months from its *high* point represents the sharpest drop ever recorded within so short a space of time. The same degree of decline from the 1929 high was spread over a period of some sixteen months—four times as long. In view of the absence today of the maladjustments existing in 1929, the very precipitousness of the recent decline suggests that the worst of it may be behind us.

Furthermore, on examining the short-term causes for the unprecedentedly rapid decline in business levels during recent months, there emerge more immediate grounds for optimism. It is evident that a speculative inventory boom of some considerable magnitude did occur between the middle of 1936 and the middle of 1937. It has been estimated that in September, 1937, inventories exceeded those of a year earlier by 35 percent. In part this boom was engendered by anticipated foreign requirements for armament programs and in part by speculative efforts to beat rising costs of labor and materials. It collapsed because the foreign demand was overestimated, and because of a lack of support from the domestic market. The boom in inventories was, of course, accompanied by rapidly advancing commodity prices, which began to topple early last year because of the unjustifiably high levels to which they had risen, in conjunction with the policy pursued by the administration. The situation as it exists today points to the rapid liquidation of retail inventories in the course of the first quarter to their 1936 level, although conditions are less favorable in the durable consumers'-goods fields, such as automobiles and refrigerators. Recovery in these branches will have to wait longer, it appears. Likewise, a reduction of inventories in the steel industry is in process of being effected. There seems reason to believe that just as inventories were too heavily loaded earlier, they are now being cut down too sharply.

*Commodity and Stock Prices.*—As for commodity prices, there are indications that there will be some downward readjustment. In addition to some probable temporary revisions in wage rates where these are out of line with the revenues of individual industries, it is also quite likely that this year increases in labor efficiency will help to offset high labor costs, and thus ease the price situation. The drive by the President on monopolies will bear fruit, it is to be hoped, in the building-trades industries, whatever the results in other directions.

The course of commodity prices in the upswing was duplicated on the stock market, where prices of stocks rose to unreasonable heights, in relation to yields. The preliminary slump in April, which was succeeded by an upturn in the summer, was only the prelude to a more complete collapse in August. A comparison of the prices and yields of stocks in 1937 suggests that at the present juncture prices are too low in relation to yields, unless we are indeed in for a major depression. While it is true that the behavior of the stock market, with its extreme and often irrational sensitivity to the play of all sorts of domestic and international economic and political forces, frequently fails to reflect and forecast accurately fundamental American industrial conditions, in one very important respect at least it does affect the economic situation. New investment which is dependent on the stock market for its financing, rather than on corporate earnings plowed back into the enterprise, is without doubt inhibited by a slump in security values. The falling off of new issues this year is in large part explicable in terms of the stock-market decline. For this reason, it can be expected that with an enhancement of stock prices, new issues will once again be resumed.




The part played in the business decline by the monetary policy pursued by the Federal Reserve Board in 1937, which resulted in the doubling of reserve ratios, is a moot issue. To the extent that the banks sold government bonds to meet the new reserve requirements and thereby raised the interest rate, the policy can be represented as deflationary. Yet this fall in the price of government bonds was countered by open-market purchases by the Reserve System as early as last April, and rediscount rates of the Reserve Banks were cut to new low levels in the summer. By that time, however, the business slump had already begun and further retreat from the policy of tightening credit was made. In September, the Treasury desterilized $300,000,000 of gold, thus raising excess reserves to $1,000,000,000. But even if the Reserve System did exercise some deflationary influence in the money market early last year, it is clear that since then its policy has been the reverse, and there is no reason to believe that in

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1938 the credit situation will not continue to be eased.

## III

This is, in many respects, a very strange crisis. The traditional textbooks have a more or less rigid pattern for the conditions under which what is regarded as a "normal" crisis begins and progresses. Capital shortage and a high interest level are the most striking features. Record security issues usually characterize the end of the boom period. And a further sharp rise of interest rates tends to follow the crash.

Nothing of the sort happened last year. Yet despite the fact that new issues from 1932 to 1937 had been so small, that interest rates had for years been at an unprecedentedly low level and did not change materially in 1937, that commercial banks, instead of being overloaded with loans, were far from the limits of their lending capacity, in spite of all this, the physical volume of production dropped with a speed that surpassed even the 1929 example, and in a very few months the number of unemployed increased by another million or more.

The recovery which preceded this unusual crisis was a very strange one, too, and in certain respects not in accordance with the textbook rules. Normally, recovery starts from an increase in private investment and accelerated expansion of the capital-goods industries. This time large-scale government spending took the role of initiating the upswing. The hope that after a while increased demand from private sources would replace pump-priming in sustaining a self-supporting and steady recovery was not fulfilled. The moment public expenditures for the purpose were stopped, the upswing stopped too.

*The Nature of the Recession.*—In forming an opinion about the character and probable duration of the recession, it will help if one is clear as to what this crisis is and what it is not.

1. The recession certainly cannot be explained by a lack of savings or loanable funds. All existing figures show the contrary. There is a lack of investment opportunities, resulting partly from a series of unfavorable psychological factors which will continue until business and government both speak the same language. But at least no time is needed for the formation of the fund of savings required to serve as a basis of a future upswing.

2. The recession is only to a limited extent an overspeculation crisis. It is true that before the stock-market break the yield of shares in many cases did not differ so greatly from the yield of government bonds, although, even so, it was high compared with the fantastic conditions of 1929. This situation has changed completely in the meantime, to the extent that even a further decline in earnings would still leave a decent margin between stock-and-bond yields. From this angle, a further downward adjustment of stock prices would hardly appear a necessary condition for a business upswing.

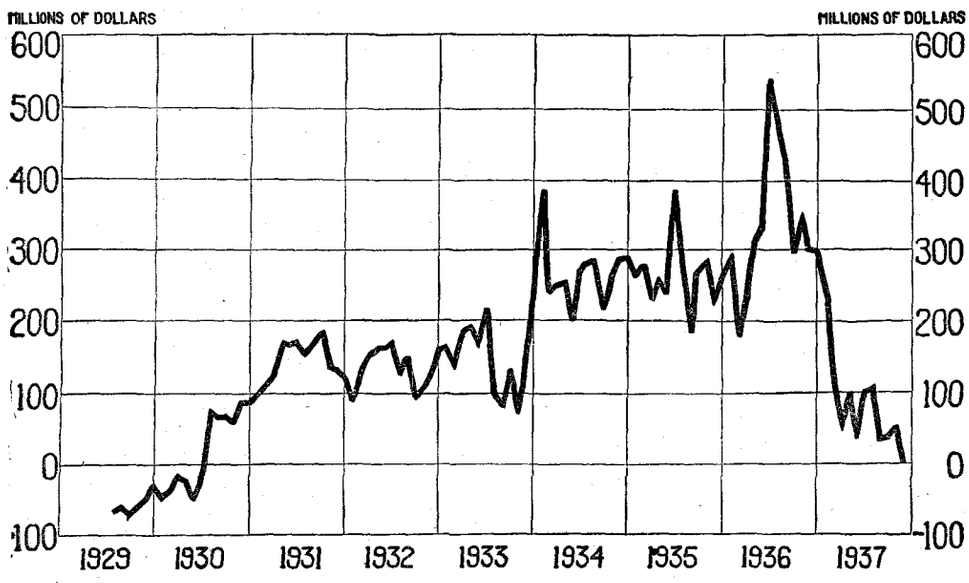
3. The recession is not a combined agricultural and industrial crisis—a factor that made the 1929 crisis so deep and difficult. On the contrary, the markedly high farm income last year of $8,500,000,000 is one of the most hopeful elements today. It was the highest since 1929, and $600,000,000 over 1936. The problem of a readjustment of farm purchasing power does not arise, therefore, at the moment.

4. The recession is not an international crisis. It may become international, because distrust is easily transferable from one country to another. On the other hand, it should be borne in mind that the American crisis may result in a further withdrawal of "hot money," with favorable consequences for both this and foreign countries. At the present moment the merchandise-export situation is satisfactory.

5. This is not a financial crisis in the sense that widespread failures and bank runs are imminent. The crisis is concentrated on the stock and commodity exchanges and on industrial production. No drastic emergency measures such as had to be taken in the spring of 1933 are needed before a positive recovery program can be put into operation.

6. This crisis is an excess-inventory crisis, as explained above.

MONTHLY NET INCOME-INCREASING EXPENDITURES BY THE FEDERAL GOVERNMENT




*From "The Influence of Fiscal Policies upon Fluctuations in Investment," by Arthur D. Gayer*

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NET FEDERAL GOVERNMENT INCOME-INCREASING EXPENDITURES, 1929-1937[1]

(In millions of dollars)

| | 1929 | 1930 | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 |
|---|---|---|---|---|---|---|---|---|---|
| January | — | −49 | 101 | 88 | 164 | 384 | 264 | 291 | 237 |
| February | — | −39 | 113 | 133 | 139 | 244 | 280 | 184 | 107 |
| March | — | −16 | 128 | 155 | 187 | 253 | 232 | 244 | 50 |
| April | — | −21 | 170 | 165 | 195 | 255 | 256 | 314[2] | 99 |
| May | — | −50 | 169 | 166 | 172 | 200 | 240 | 332 | 46 |
| June | — | −24 | 171 | 173 | 215 | 272 | 383 | 543 | 101 |
| Fiscal Year | — | −534 | 1,302 | 1,776 | 1,838 | 2,392 | 3,285 | 3,407 | 2,757 |
| July | −67 | 75 | 154 | 126 | 97 | 283 | 272 | 469 | 114 |
| August | −61 | 69 | 168 | 148 | 82 | 286 | 183 | 407 | 35 |
| September | −70 | 69 | 185 | 90 | 134 | 217 | 268 | 296 | 36 |
| October | −60 | 61 | 135 | 109 | 73 | 268 | 284 | 346 | 53 |
| November | −49 | 88 | 132 | 131 | 140 | 286 | 229 | 300 | 0[3] |
| December | −28 | 88 | 122 | 162 | 258 | 290 | 263 | 299 | — |
| Calendar Year | — | 251 | 1,748 | 1,646 | 1,856 | 3,238 | 3,154 | 4,025 | 900[3] |

[1] Figures through December, 1931, calculated by H. H. Villard, from January, 1932, by L. Currie and M. Krost; in both cases unpublished.

[2] Half the cash bonus payments made in 1936 are distributed over the month of payment, the two months preceding and the three months following.

[3] Preliminary.

This is justifiably stressed by the administration.

7. The distortions in the price structure are not yet eliminated. It is less a problem of the general price level than a question that some prices in a key position have to be revised. Among these, prices and wages in the building industry are in first place. The building industry has now been in a state of stagnation for years, on account of the uneconomical level of its cost and price structure. The cost of building materials, of labor and of borrowing all alike have stood at such notoriously high levels that the new houses so badly needed have simply not been built in any adequate volume. By the end of 1937 construction costs had risen a further 19 percent over their already very high level in 1936, which in turn was actually back at the 1929 figure. The industry would seem to offer a large field for prospective investment once the necessary adjustment has been made. The sooner the process is accomplished, the better for recovery. In the case of residential construction the government is about to lead the way. The more liberal FHA mortgage terms may serve as a spur to private home building, while the government is already committed to a policy of spending half a billion dollars during the next few years in subsidizing public low-cost housing through the United States Housing Authority.

In the same context should be mentioned the brighter prospects in railroads, provided the pending freight-rate increase materializes. The stimulating effects of higher freight rates on railroad purchases, in the shape of more orders for steel, equipment and other basic products, should more than compensate for the difficulties to industry in general resulting from increased transportation costs. At the moment the roads are caught between the pincers of rigid rates and recent large unavoidable payroll increases.

The future outlook for the electric-power utilities is also encouraging in pointing to further expansion. The talk of private-utility spokesmen about investing $2,500,000,000 in the next few years must of course be taken with a generous pinch of salt. But a more judicious appraisal of the probable demand would at least appear to indicate the need of capital expenditures of around $1,000,000,000.

*The Role of Business Confidence.*—Last but not least: this is, in a special sense, a "crisis of confidence." There is indeed a sit-down strike of capital, but not so much by reason of any concerted policy on the part of capital as rather because capitalists see at the moment insufficient opportunity for investing their money profitably. Since recovery depends on the resumption of investment, either this confidence will have to be restored or public investment on an enlarged scale will have to be resumed. The latter course has the disadvantage that it may—not necessarily will—increase the distrust of the private investor. On the part of the administration this problem of restoring confidence calls for clearly recognizable decisions. To threaten a new anti-trust campaign at this juncture is perhaps not the best way to go about promoting business confidence as a recovery expedient, despite the case for reform in that direction as a long-term measure. Business must not be permitted, however, to seize upon this recession as a strategic time for squeezing concessions from the administration that would emasculate its regulatory policy. This type of situation, with its accompanying political maneuvering, renders doubly difficult the evaluation of probable future economic trends. Similar major uncertainties in respect of legislation which business claims to be particularly restrictive of expansion lie in future policy regarding the taxation of undistributed earnings and capital gains, although it is highly debatable whether these measures are in fact inhibiting investment. They do, however, appear to loom large in the entrepreneurial mind.

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Business will have to offer more than platonic assurances of "full confidence" in the newsreels if it means to keep its capitalistic system intact. A less negative attitude toward the decisions of the administration is needed in place of calling every step toward increased relief expenditures a national disaster because it unbalances the budget, and every economy at the expense of special interests also a cause of national disaster. Since no one knows when this changed attitude will emerge, who can say with conviction when sustained recovery will occur?

A crisis is the combined result of maladjustments which have to be corrected and mistaken policies. We know from bitter experience that the process of readjustment, left to itself, tends to go farther than necessary, and that deflation can easily become self-generating. There is no necessary bottom to the spiral of cumulative destructive deflation. In any event, the social cost involved in the continued non-utilization of the community's human and physical resources is too high a price to pay for delay. Thus, to do nothing is a political decision that is bound to make the process more painful than is needed in order to reach a new equilibrium. In former times people were willing to be guided by what were called the "rules of the gold standard," and, in order to protect the exchange value of the currency, to suffer senselessly and refrain from adopting appropriate remedies. It seems that that stage of social masochism is now behind us, and the circumstance affords some hope that this crisis should be shortened by at least the eighteen months to two years (from 1931 to 1933) that last time were apparently needed to convince us that just waiting and hoping for the upturn is not the best policy.

## IV

In conclusion, a number of long-term considerations related to the whole course of our recovery from 1933 to 1937, and not merely to the immediate conditions in 1937 which led to the collapse, must be examined. The outstanding fact about the recovery from 1933 to 1937 was that it was very largely based on government spending financed by borrowing.

*Effects of Government Spending.*—The impression is widespread that the federal government is still spending lavishly because the budget *nominally* continues out of balance. But in substance the budget actually is already balanced, allowing for social-security collections, in contrast to *real* deficits of more than $3,000,000,000 in recent preceding years. The federal government, as is shown below, is today taking about as much out of the national income stream as it is putting into it.

How drastically the picture changed in 1937 can be easily grasped by comparing the figures for average *net* monthly contributions by the federal government to national income for the calendar years 1933 to 1937, which were as follows (in millions of dollars): 1933, 155; 1934, 270; 1935, 263; 1936, 335; first half 1937, 107; second half 1937, 40. In 1936 the federal contribution exceeded $4,000,000,000; in 1937 it fell below $1,000,000,000. During the last couple of months of 1937 it had *shrunk to nothing.*

The decline in the monthly contribution in 1937 from the levels prevailing during the preceding four years probably did not *in itself* bring about the business recession, since there continued to be a net contribution, small though it was. But it is clear that business spending did not expand in 1937 at a rate sufficient to offset the decline in the federal contribution. The sudden withdrawal of the stimulus to consumption without an adequate resumption of investment on the part of business would appear to be one of the underlying causes of our present plight. (It seems clear, however, from the President's recent budget message, that government expenditures on armaments and relief will increase the stream of consumer purchasing power this year.)

For, whatever stresses and strains have developed in our economy as a result of the recovery movement since 1933, it is patently evident that there has been no overinvestment. It is a fact that the increased consumer spending which government borrowing made possible has had only very limited effects in evoking increased investment. Total new capital issues during the years 1933 to 1937 are ample proof of this statement. Expenditures on private construction, which has always played such a dominant role in the business cycle, have increased very little, as shown by the following figures, in billions of dollars, for the years 1927 to 1936 inclusive: 8.5 (1927), 8.6, 7.8, 5.4, 3.4, 1.4, 1.2, 1.3, 1.9, 2.9. That a recession is bound to ensue once the consumption stimulus is withdrawn, if an expansion of investment does not materialize out of the rising tide of consumer purchases, appears self-evident.

*What Has Retarded New Private Investment?*—The question may well be raised at this point why the resumption of new investment in adequate volume did not take place during the course of the upswing. While widespread excess capacity still exists, it is arguable that rising consumption can be expected to necessitate only renewals and replacements. But once existing capacity is being relatively fully utilized, why should private investment fail to move forward? Why has industry held back? Furthermore, why was not this recovery characterized by an increase in capital expenditure largely *independent* of the level of current consumption and based rather on confident long-term expectations, such as has been true in past recoveries?

Certain partial answers to this perplexing question have been indicated above. The distrust and resentment that the business community harbors against Washington has, as already mentioned, been one important factor. Another has been the excessive boosting of costs and prices in certain industries, traceable partly to business price-fixing and

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monopolistic practices, partly to governmental policies beginning with the NRA (now in process of being reversed), partly to labor policies.

A final factor, though highly speculative and shrouded in deep obscurity, may quite well be of considerable importance in explaining the failure of investment to revive satisfactorily in recent years. As Professor Hansen has recently pointed out, an increasing *secular* difficulty may be confronting the capitalist system today in finding promising channels of investment on a large scale. We are not justified in merely assuming that such outlets will always automatically present themselves in abundance, under a profit economy. Periods of secular stagnation have indeed in the past alternated with bursts of investment activity. I shall not hazard predicting the long-range future. But certain general considerations are disquieting. One is the familiar fact of the rapidly approaching cessation of population growth. Another is the danger that, as the curve of industrialization rises, it may also flatten out, in the sense that any given new industrial development, in order to have the same *relative* effect upon the total economy, has to be of progressively greater absolute magnitude. I lack space to develop these or touch upon other aspects of the problem. But if indeed an era of secular investment stagnation superimposed upon the business cycle is ahead of us, not only is governmental economic policy bound in the future to be vastly more difficult than it has been hitherto, but the outlook for capitalist civilization itself would be profoundly altered. ARTHUR D. GAYER.

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# Propaganda Analysis

*A Monthly Letter to Help the Intelligent Citizen Detect and Analyze Propaganda*

INSTITUTE FOR PROPAGANDA ANALYSIS, INC.
132 MORNINGSIDE DRIVE, NEW YORK, N. Y.

*Volume I* OCTOBER, 1937 *Number 1*

*This Monthly Letter is circulated privately to educators and students, publishers and journalists, business men and trade unionists, ministers and welfare workers, and to all who desire periodic, objective appraisals of today's propagandas, their sources and the channels through which they flow: newspapers, magazines, radio stations, motion pictures, labor and business groups, patriotic societies, farm organizations, schools, churches, political parties.*

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